POWYS TEACHING LOCAL HEALTH BOARD

FOREWORD

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

Statutory background

Powys Teaching Local Health Board under the Local Health Boards (Establishment) (Wales) Order 2003 (S.I. 2003/148 (W.18))

As a statutory body governed by Acts of Parliament the THB is responsible for :

- agreeing the action which is necessary to improve the health and health care of the population of Powys;

- supporting and financing General Practitioner-led purchasing of the services needed to meet agreed priorities, including charter standards and guarantees;

- supporting and funding the contractor professions;

- the commissioning of health promotion, emergency planning and other regulatory tasks;

- the stewardship of resources including the financial management and monitoring of performance in critical areas;

- eliciting and responding to the views of local people and organisations and changing and developing services at a pace and in ways that they will accept;

- providing Hospital and Community Healthcare Services to the residents of Powys.

Powys THB hosts the Community Health Councils in Wales. In addition, it is also responsible for hosting specific functions in respect of the accounts of the former Health Authorities mostly significantly in respect of clinical negligence. The THB also hosts the functions of Health and Care Research Wales (HCRW) and All Wales Retrospective Continuing Health Care Reviews Project.

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by the LHB which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

Under the National Health Services Finance (Wales) Act 2014 the annual requirement to achieve balance against Resource Limits has been replaced with a duty to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved limits.

The Act came into effect from 1 April 2014 and under the Act the first assessment of the 3 year rolling financial duty will take place at the end of 2016-17.

Powys Teaching Health Board (PTHB) is the operational name of Powys Teaching Local Health Board

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Expenditure on Primary Healthcare Services	3.1	**63,513**	59,777
Expenditure on healthcare from other providers	3.2	**143,721**	147,056
Expenditure on Hospital and Community Health Services	3.3	**78,210**	74,085
		285,444	280,918
Less: Miscellaneous Income	4	**13,197**	13,990
LHB net operating costs before interest and other gains and losses		**272,247**	266,928
Investment Income	8	**0**	0
Other (Gains) / Losses	9	**1**	(9)
Finance costs	10	**103**	137
Net operating costs for the financial year		**272,351**	267,056

See note 2 on page 20 for in-year details of performance against Revenue and Capital allocations.

The notes on pages 8 to 61 form part of these accounts

Other Comprehensive Net Expenditure

	2015-16 £'000	2014-15 £'000
Net gain / (loss) on revaluation of property, plant and equipment	**2,482**	2,073
Net gain / (loss) on revaluation of intangibles	**0**	0
Net gain / (loss) on revaluation of available for sale financial assets	**0**	0
(Gain) / loss on other reserves	**0**	0
Impairment and reversals	**0**	0
Release of Reserves to Statement of Comprehensive Net Expenditure	**0**	0
Other comprehensive net expenditure for the year	**2,482**	2,073
Total comprehensive net expenditure for the year	**269,869**	264,983

Statement of Financial Position as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Property, plant and equipment	11	**65,753**	63,584
Intangible assets	12	**0**	0
Trade and other receivables	15	**12,624**	28,096
Other financial assets	22	**0**	0
Total non-current assets		**78,377**	91,680
Current assets			
Inventories	14	**142**	122
Trade and other receivables	15	**16,448**	5,539
Other financial assets	22	**0**	0
Cash and cash equivalents	21	**666**	902
		17,256	6,563
Non-current assets classified as "Held for Sale"	11	**0**	0
Total current assets		**17,256**	6,563
Total assets		**95,633**	98,243
Current liabilities			
Trade and other payables	16	**35,595**	29,150
Other financial liabilities	23	**0**	0
Provisions	17	**11,161**	3,881
Total current liabilities		**46,756**	33,031
Net current assets/ (liabilities)		**(29,500)**	(26,468)
Non-current liabilities			
Trade and other payables	16	**0**	0
Other financial liabilities	23	**0**	0
Provisions	17	**19,343**	35,315
Total non-current liabilities		**19,343**	35,315
Total assets employed		**29,534**	29,897
Financed by :			
Taxpayers' equity			
General Fund		**(4,220)**	(1,510)
Revaluation reserve		**33,754**	31,407
Total taxpayers' equity		**29,534**	29,897

The financial statements on pages 2 to 7 were approved by the Board on 31st May 2016 and signed on its behalf by:

Chief Executive…C Shillabeer…….. Date 31 May 2016

The notes on pages 8 to 61 form part of these accounts

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2016

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2015-16			
Balance at 1 April 2015	(1,510)	31,407	**29,897**
Net operating cost for the year	(272,351)		**(272,351)**
Net gain/(loss) on revaluation of property, plant and equipment	0	2,482	**2,482**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	0	**0**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	135	(135)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to/from LHBs	0	0	**0**
Total recognised income and expense for 2015-16	(272,216)	2,347	**(269,869)**
Net Welsh Government funding	269,506		**269,506**
Balance at 31 March 2016	(4,220)	33,754	**29,534**

The notes on pages 8 to 61 form part of these accounts

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2015

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2014-15			
Balance at 1 April 2014	(1,453)	29,516	**28,063**
Net operating cost for the year	(267,056)		**(267,056)**
Net gain/(loss) on revaluation of property, plant and equipment	0	2,073	**2,073**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	0	**0**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	182	(182)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to/from LHBs	0	0	**0**
Total recognised income and expense for 2014-15	(266,874)	1,891	**(264,983)**
Net Welsh Government funding	266,817		**266,817**
Balance at 31 March 2015	(1,510)	31,407	**29,897**

The notes on pages 8 to 61 form part of these accounts

Statement of Cash flows for year ended 31 March 2016

		2015-16	2014-15
		£'000	£'000
Cash Flows from operating activities	notes		
Net operating cost for the financial year		**(272,351)**	(267,056)
Movements in Working Capital	30	**11,434**	3,401
Other cash flow adjustments	31	**(2,611)**	6,379
Provisions utilised	17	**(3,482)**	(5,931)
Net cash outflow from operating activities		**(267,010)**	(263,207)
Cash Flows from investing activities			
Purchase of property, plant and equipment		**(2,868)**	(3,128)
Proceeds from disposal of property, plant and equipment		**136**	161
Purchase of intangible assets		**0**	0
Proceeds from disposal of intangible assets		**0**	0
Payment for other financial assets		**0**	0
Proceeds from disposal of other financial assets		**0**	0
Payment for other assets		**0**	0
Proceeds from disposal of other assets		**0**	0
Net cash inflow/(outflow) from investing activities		**(2,732)**	(2,967)
Net cash inflow/(outflow) before financing		**(269,742)**	(266,174)
Cash flows from financing activities			
Welsh Government funding (including capital)		**269,506**	266,817
Capital receipts surrendered		**0**	0
Capital grants received		**0**	0
Capital element of payments in respect of finance leases and on-SoFP		**0**	0
Cash transferred (to)/ from other NHS bodies		**0**	0
Net financing		**269,506**	266,817
Net increase/(decrease) in cash and cash equivalents		**(236)**	643
Cash and cash equivalents (and bank overdrafts) at 1 April 2015		**902**	259
Cash and cash equivalents (and bank overdrafts) at 31 March 2016		**666**	902

The notes on pages 8 to 61 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2015-16 Local Health Board Manual for Accounts and 2015-16 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS). The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income and funding

The main source of funding for the Local Health Boards (LHBs) are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.

Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the THB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the THB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred.

Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs
Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

NEST Pension Scheme

The THB has to offer an alternative pensions scheme for employees not eligible to join the NHS Pensions scheme. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

1.5 Other expenses
Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.6 Property, plant and equipment
Recognition
Property, plant and equipment is capitalised if:
● it is held for use in delivering services or for administrative purposes;
● it is probable that future economic benefits will flow to, or service potential will be supplied to, the THB;
● it is expected to be used for more than one financial year;
● the cost of the item can be measured reliably; and
● the item has cost of at least £5,000; or
● Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
● Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the THBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

In 2012-13 a formal revaluation exercise was applied to land and properties. Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that that impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure.

From 2015-16, the THB must comply with IFRS 13 Fair Value Measurement in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should being interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

In accordance with the adaptation of IAS 16 in table 6.2 of the FREM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the Trust / LHB could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

Subsequent expenditure
Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

1.7 Intangible assets

Recognition
Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement
The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments
Freehold land and assets under construction and properties held for sales are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the TLHB expects to obtain economic benefits or service potential from the asset. This is specific to the TLHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the TLHB checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.9 Research and Development
Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

1.11 Leases
Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.11.1 The Local Health Board as lessee
Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.11.2 The Local Health Board as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.12 Inventories
Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks

1.13 Cash and cash equivalents
Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.14 Provisions
Provisions are recognised when the THB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the THB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the THB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with on-going activities of the entity.

1.14 Clinical negligence costs
The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool is hosted by Velindre NHS Trust.

1.15 Financial assets
Financial assets are recognised on the Statement of Financial Position when the THB becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

1.15.1 Financial assets are initially recognised at fair value
Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1.15.2 Financial assets at fair value through SoCNE
Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.15.3 Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

1.15.4 Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the SoCNE on de-recognition.

1.15.5 Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the THB assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

1.16 Financial liabilities
Financial liabilities are recognised on the Statement of Financial Position when the THB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.16.1 Financial liabilities are initially recognised at fair value
Financial liabilities are classified as either financial liabilities at fair value through the Statement of Comprehensive Net Expenditure or other financial liabilities.

1.16.2 Financial liabilities at fair value through the Statement of Comprehensive Net Expenditure
Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.16.3 Other financial liabilities
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.17 Value Added Tax
Most of the activities of the LHB are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.18 Foreign currencies
Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.19 Third party assets
Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 25 to the accounts.

1.20 Losses and Special Payments
Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

The THB accounts for all losses and special payments gross (including assistance from the WRP). The THB accrues or provides for the best estimate of future pay-outs for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.21 Pooled budget
The THB has entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in Note 28.

The pool is hosted Powys County Council. Payments for services provided are accounted for as miscellaneous income. The THB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.22 Critical Accounting Judgements and key sources of estimation uncertainty
In the application of the THB's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.23 Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of the THB:

- primary care expenditure includes estimates for liabilities where the value of actual liabilities was not available at the time of producing the financial statements. The most significant areas relate to GMS Enhanced Services, GMS Quality Outcome Framework and Prescribing; and

- £22.682M has been provided within Note 17 in respect of potential clinical negligence claims, personal injury claims and defence costs. These provisions are based on the advice of the NHS Wales Shared Services Partnership - Legal and Risk Services. The nature of such claims could be subject to change in future periods.

1.24 Private Finance Initiative (PFI) transactions

The THB does not have any Private Finance Initiative Transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received
The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability
A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

Lifecycle replacement
Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the LHB to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

Other assets contributed by the LHB to the operator
Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

1.25 Contingencies
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.26 Carbon Reduction Commitment Scheme

The THB is not a member of the Carbon Reduction Commitment Scheme.

Carbon Reduction Commitment Scheme allowances are accounted for as government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.

1.27 Absorption accounting
Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

1.28 Accounting standards that have been issued but not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2015-16. The application of the Standards as revised would not have a material impact on the accounts for 2015-16, were they applied in that year:

IPSAS 32 - Service Concession Arrangement - subject to consultation
IFRS 15 - Revenue Recognition

1.29 Accounting standards issued that have been adopted early

During 2015-16 there have been no accounting standards that have been adopted early.
All early adoption of accounting standards will be led by HM Treasury.

1.30 Charities

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the THB has established that as the THB is the corporate trustee of the linked NHS Charity 'Powys Teaching Local Health Board Charitable Fund and Other Related Charities', it is considered for accounting standards compliance to have control of this Charity as a subsidiary and therefore is required to consolidate the results of Powys Teaching Local Health Board Charitable Fund and Other Related Charities within the statutory accounts of the THB. The determination of control is an accounting standards test of control and there has been no change to the operation of Charity or its independence in its management of charitable funds.

However, the THB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts. Details of the transactions with the charity are included in the related parties' notes.

2. Financial Duties Performance

The National Health Service Finance (Wales) Act 2014 came into effect from 1 April 2014. The Act amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. From 1 April 2014 section 175 of the National Health Service (Wales) Act places two financial duties on Local Health Boards:

- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is reponsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The first assessment of performance against the 3 year statutory duty under section 175 (1) will take place at the end of 2016/17, being the first 3 year period of assessment.

2.1 Revenue Resource Performance

	2015-16	2014-15
	£'000	£'000
Net operating costs for the year	**272,351**	267,056
Less general ophthalmic services expenditure and other non-cash limited expenditure	**(855)**	(811)
Less revenue consequences of bringing PFI schemes onto SoFP	**0**	0
Total operating expenses	**273,206**	**267,867**
Revenue Resource Allocation	**273,246**	267,906
Under /(over) spend against Allocation	40	39

2.2 Capital Resource Performance

	2015-16	2014-15
	£'000	£'000
The LHB is required to keep within its Capital Resource Limit :		
Gross capital expenditure	**2,467**	3,853
Add: Losses on disposal of donated assets	**0**	0
Less NBV of property, plant and equipment and intangible assets disposed	**(137)**	(152)
Less capital grants received	**0**	0
Less donations received	**(45)**	(188)
Charge against Capital Resource Allocation	**2,285**	3,513
Capital Resource Allocation	**2,287**	3,515
(Over) / Underspend against Capital Resource Allocation	**2**	2

2.3 Duty to prepare a 3 year plan

The NHS Wales Planning Framework for the period 2015 -16 to 2017-18 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans to the Welsh Government.

The THB submitted an Integrated Medium Term Plan for the period 2015-16 to 2017-18 in accordance with NHS Wales Planning Framework.

	2015-16 to 2017-18	**2014-15 to 2016-17**
The Minister for Health and Social Services approval status	Approved 2nd June 2015	Not Approved

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2015-16 Total £'000	2014-15 £'000
General Medical Services	34,365		**34,365**	32,134
Pharmaceutical Services	4,435	(1,813)	**2,622**	2,961
General Dental Services	7,935		**7,935**	7,369
General Ophthalmic Services	0	958	**958**	931
Other Primary Health Care expenditure	80		**80**	152
Prescribed drugs and appliances	17,553		**17,553**	16,230
Total	**64,368**	**-855**	**63,513**	59,777

The negative non cash limited balance on Pharmaceutical services relates to prescriptions for Powys residents being dispensed in non Powys pharmacies. The effect of this is a net outflow for Powys THB.

3.2 Expenditure on healthcare from other providers

	2015-16 £'000	2014-15 £'000
Goods and services from other NHS Wales Health Boards	**41,681**	43,276
Goods and services from other NHS Wales Trusts	**1,627**	1,366
Goods and services from other non Welsh NHS bodies	**49,572**	51,849
Goods and services from WHSSC / EASC	**31,110**	29,550
Local Authorities	**2,092**	2,732
Voluntary organisations	**1,991**	1,818
NHS Funded Nursing Care	**2,088**	2,160
Continuing Care	**11,733**	12,076
Private providers	**1,827**	2,229
Specific projects funded by the Welsh Government	**0**	0
Other	**0**	0
Total	**143,721**	147,056

The 7 Health Boards in Wales have established the Welsh Health Specialist Services Commission (WHSSC) which, through the operational management of Cwm Taf Health Board secures the provision of highly specialised healthcare for the whole of Wales. These arrangements include funding of services operated through a risk sharing arrangement. The THB amount of this risk sharing arrangement for the year ended 31st March 2016 is £31.110M.

A significant decrease in expenditure on Goods and Services from other NHS Wales Health Boards relates to Mental Health Services previously provided by Abertawe Bro Morgannwg University Health Board and Betsi Cadwalladr University Health Board transferring back into THB Services from the 1st December 2015. This transfer has meant a decrease in Long Term Agreement values paid in year to these providers of £1.343M

3.3 Expenditure on Hospital and Community Health Services

	2015-16 £'000	2014-15 £'000
Directors' costs	**1,187**	1,080
Staff costs	**56,811**	52,455
Supplies and services - clinical	**4,089**	4,687
Supplies and services - general	**1,122**	1,071
Consultancy Services	**913**	2,253
Establishment	**2,224**	2,489
Transport	**1,107**	949
Premises	**5,088**	3,975
External Contractors	**0**	0
Depreciation	**2,882**	2,533
Amortisation	**0**	0
Fixed asset impairments and reversals (Property, plant & equipment)	**(239)**	(154)
Fixed asset impairments and reversals (Intangible assets)	**0**	0
Impairments & reversals of financial assets	**0**	0
Impairments & reversals of non-current assets held for sale	**0**	0
Audit fees	**264**	266
Other auditors' remuneration	**0**	0
Losses, special payments and irrecoverable debts	**42**	639
Research and Development	**0**	0
Other operating expenses	**2,720**	1,842
Total	**78,210**	74,085

3.4 Losses, special payments and irrecoverable debts: charges to operating expenses

Increase/(decrease) in provision for future payments:	2015-16 £'000	2014-15 £'000
Clinical negligence	**(6,091)**	2,705
Personal injury	**1,027**	1,152
All other losses and special payments	**5**	137
Defence legal fees and other administrative costs	**177**	(470)
Gross increase/(decrease) in provision for future payments	**(4,882)**	**3,524**
Contribution to Welsh Risk Pool	**0**	0
Premium for other insurance arrangements	**0**	0
Irrecoverable debts	**(20)**	22
Less: income received/ due from Welsh Risk Pool	**4,944**	(2,907)
Total	**42**	**639**

Personal injury includes £-0.004M (2014-15 £0.497M) in respect of permanent injury benefits.

Clinical Redress arising during the year was £0.003M (2014-15 £0.000M)

Consultancy Services expenditure is mostly associated with the cost of delivering specialist projects within the hosted function of Health and Care Research Wales (HCRW) of £0.577M (2014/15 £1.936M)

A significant increase in staff expenditure relates to staff of Mental Health Services previously provided by Abertawe Bro Morgannwg University Health Board and Betsi Cadwalladr University Health Board transferring back into THB services from the 1st December 2015. This transfer has meant an increase in staff costs of £1.631M

4. Miscellaneous Income

	2015-16 £'000	2014-15 £'000
Local Health Boards	**4,071**	3,096
WHSSC /EASC	**188**	87
NHS trusts	**0**	0
Other NHS England bodies	**628**	439
Foundation Trusts	**0**	0
Local authorities	**0**	0
Welsh Government	**3,896**	5,791
Non NHS:		
Prescription charge income	**0**	0
Dental fee income	**1,975**	1,936
Private patient income	**0**	0
Overseas patients (non-reciprocal)	**0**	0
Injury Costs Recovery (ICR) Scheme	**53**	97
Other income from activities	**1,223**	1,392
Patient transport services	**33**	31
Education, training and research	**90**	76
Charitable and other contributions to expenditure	**0**	0
Receipt of donated assets	**45**	188
Receipt of Government granted assets	**0**	0
Non-patient care income generation schemes	**0**	0
NWSSP	**0**	0
Deferred income released to revenue	**0**	0
Contingent rental income from finance leases	**0**	0
Rental income from operating leases	**97**	71
Other income:		
Provision of laundry, pathology, payroll services	**0**	0
Accommodation and catering charges	**92**	84
Mortuary fees	**20**	16
Staff payments for use of cars	**0**	0
Business Unit	**0**	0
Other	**786**	686
Total	**13,197**	13,990

Welsh Government miscellaneous income includes funding received on behalf of the hosted function of Health and Care Research Wales within the THB. This has decreased by £0.765M on 14/15 as a number of funded programmes ceased in 2014/15

Welsh Government miscellaneous income has also decreased in year due to the funding for the retrospective Continuing Health Care Project now being funded by Local Health Boards. This has led to a decrease in Welsh Government Income of £1.133M and corresponding increase on Welsh Health Board's Income

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2014-15
	£000	£000	£000	£000	£000
Salaries and wages	46,637	612	2,143	**49,392**	45,484
Social security costs	2,885	0	0	**2,885**	2,825
Employer contributions to NHS Pension Scheme	5,721	0	0	**5,721**	5,226
Other pension costs	0	0	0	**0**	0
Other employment benefits	0	0	0	**0**	0
Termination benefits	0	0	0	**0**	0
Total	55,243	612	2,143	**57,998**	53,535
Charged to capital				**20**	166
Charged to revenue				**57,978**	53,369
				57,998	53,535
Net movement in accrued employee benefits (untaken staff leave accrual included above)				0	0

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2014-15
	Number	Number	Number	Number	Number
Administrative, clerical and board members	427	6	6	**439**	388
Medical and dental	20	1	2	**23**	22
Nursing, midwifery registered	434	3	10	**447**	426
Professional, Scientific, and technical staff	39	0	1	**40**	33
Additional Clinical Services	217	0	4	**221**	201
Allied Health Professions	114	0	0	**114**	110
Healthcare Scientists	2	0	0	**2**	2
Estates and Ancilliary	150	0	1	**151**	151
Students	7	0	0	**7**	7
Total	**1,410**	**10**	**24**	**1,444**	1,340

There has been a reclassification of staff groups nationally during 2015/16. The prior year figures have been restated to provide comparatives. The increase in staff numbers relates to staff of Mental Health Services previously provided by Abertawe Bro Morgannwg University Health Board and Betsi Cadwalladr University Health Board transferring backinto THB services from the 1st December 2015. This transfer has meant an increase in staff numbers in adminstrative and Nursing categories by 100 Whole Time Equivalent (WTE) (part year effect 34 WTE) The further increase in administrative staff numbers relates to a transfer of staff into the hosted function of HCRW from other NHS Wales bodies as at the 1st April 2015. This transfer was 15 WTE

5.3. Retirements due to ill-health

During 2015-16 there were 5 early retirements from the LHB agreed on the grounds of ill-health (2 in 2014-15 - £61,232.02) The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £330,007.15

5.4 Employee benefits

The LHB does not have an employee benefit scheme.

5.5 Reporting of other compensation schemes - exit packages

Exit packages cost band (including any special payment element)	2015-16 Number of compulsory redundancies Whole numbers only	2015-16 Number of other departures Whole numbers only	2015-16 Total number of exit packages Whole numbers only	2015-16 Number of departures where special payments have been made Whole numbers only	2014-15 Total number of exit packages Whole numbers only
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	0
£25,000 to £50,000	0	0	0	0	1
£50,000 to £100,000	0	0	0	0	0
£100,000 to £150,000	0	0	0	0	1
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**2**

Exit packages cost band (including any special payment element)	2015-16 Cost of compulsory redundancies £'s	2015-16 Cost of other departures £'s	2015-16 Total cost of exit packages £'s	2015-16 Cost of special element included in exit packages £'s	2014-15 Total cost of exit packages £'s
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	0
£25,000 to £50,000	0	0	0	0	28,252
£50,000 to £100,000	0	0	0	0	0
£100,000 to £150,000	0	0	0	0	108,000
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**136,252**

There have been no exit packages during 2015/16

5.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the LHB in the financial year 2015-16 was £155,000 - £160,000 (2014-15, £155,000 - £160,000). This was 6.1 times (2014-15, 6.1) the median remuneration of the workforce, which was £25,948 (2014-15, £25,836 (note re-stated to include agency staff costs as part of the calculation)).

In 2015-16, 0 (2014-15, 0) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £1,400 to £157,000 (2014-15 £190 to £156,000).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Overtime payments should be included for the calculation of both elements of the relationship.

5.7 Pension costs

Past and present employees are covered by the provisions of the two NHS Pensions Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation
A valuation of the scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account their recent demographic experience), and to recommend the contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Currently, the legal minimum level of contributions is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 1 per cent, though they can pay more if they want to.

5.7 Pension costs (continued)

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £42,385 for the 2015-2016 tax year.

NEST has an annual contribution limit of £4,700 for the 2015-16 tax year (£4,600 for 2014-15). This means the most that can be contributed to a single pot in the current tax year is £4,700. This figure will be adjusted annually in line with average earnings.

The annual contribution limit includes member contributions, money from their employer and any tax relief. It also includes any money paid in by someone else on behalf of the member, such as a member's partner or spouse

6. Operating leases

LHB as lessee

The Teaching Health Board has the following operating leases

- various short term leases on properties at fixed rentals subject to periodic review
- vehicle leases are generally for a period of three years

Payments recognised as an expense	**2015-16**	2014-15
	£000	£000
Minimum lease payments	**720**	544
Contingent rents	**0**	0
Sub-lease payments	**0**	0
Total	**720**	544

Total future minimum lease payments		
Payable	**£000**	£000
Not later than one year	**703**	491
Between one and five years	**984**	416
After 5 years	**576**	42
Total	**2,263**	949

There are no future sublease payments expected to be received

LHB as lessor

Rental revenue	**£000**	£000
Rent	**278**	198
Contingent rents	**0**	0
Total revenue rental	**278**	198

Total future minimum lease payments		
Receivable	**£000**	£000
Not later than one year	**278**	198
Between one and five years	**120**	126
After 5 years	**149**	149
Total	**547**	473

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

The Welsh Government requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

The figures for 2015-16 exclude both the number and value of non-NHS bills paid to primary care services and contractor services.
The comparators for 2014-15 have been restated to reflect this treatment.

	2015-16	**2015-16**	2014-15	2014-15
NHS	**Number**	**£000**	Number	£000
Total bills paid	**2,981**	**129,740**	2,660	130,990
Total bills paid within target	**2,173**	**121,791**	1,692	117,856
Percentage of bills paid within target	**72.9%**	**93.9%**	63.6%	90.0%
Non-NHS			Restated	Restated
Total bills paid	**36,604**	**41,721**	29,270	41,179
Total bills paid within target	**33,126**	**35,686**	24,648	30,560
Percentage of bills paid within target	**90.5%**	**85.5%**	84.2%	74.2%
Total			Restated	Restated
Total bills paid	**39,585**	**171,461**	31,930	172,169
Total bills paid within target	**35,299**	**157,477**	26,340	148,416
Percentage of bills paid within target	**89.2%**	**91.8%**	82.5%	86.2%

The THB has not met the administrative target of payment of 95% of the number of non-nhs creditors within 30 days this year. The THB has seen a non-achievement of this target during 2015/16 mainly due to a change in methodology which has seen the removal of primary care contractor related payments from the calculations (impact of 5% reduction on performance). The THB has undertaken many initiatives during the year to counteract this change in methodology which is increasing performance on a month by month basis and it is envisaged this improvement will continue into 2016/17

7.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2015-16	2014-15
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	0

8. Investment Income

	2015-16	2014-15
	£000	£000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

9. Other gains and losses

	2015-16	2014-15
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	(1)	9
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	(1)	9

10. Finance costs

	2015-16	2014-15
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
Total interest expense	0	0
Provisions unwinding of discount	103	137
Other finance costs	0	0
Total	103	137

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2015	13,503	50,265	589	1,996	5,461	505	3,100	0	**75,419**
Indexation	264	2,493	34	0	0	0	0	0	**2,791**
Additions									
- purchased	0	748	0	1,329	279	16	50	0	**2,422**
- donated	0	0	0	0	45	0	0	0	**45**
- government granted	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	359	0	(359)	0	0	0	0	**0**
Revaluations	0	(223)	0	0	0	0	0	0	**(223)**
Reversal of impairments	0	374	0	0	0	0	0	0	**374**
Impairments	0	(135)	0	0	0	0	0	0	**(135)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	(46)	(102)	0	0	(154)	(42)	(167)	0	**(511)**
At 31 March 2016	13,721	53,779	623	2,966	5,631	479	2,983	0	**80,182**
Depreciation at 1 April 2015	0	5,355	56	0	3,922	419	2,083	0	**11,835**
Indexation	0	305	3	0	0	0	0	0	**308**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Revaluations	0	(222)	0	0	0	0	0	0	**(222)**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	0	0	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	(11)	0	0	(154)	(42)	(167)	0	**(374)**
Provided during the year	0	2,098	19	0	448	29	288	0	**2,882**
At 31 March 2016	0	7,525	78	0	4,216	406	2,204	0	**14,429**
Net book value at 1 April 2015	13,503	44,910	533	1,996	1,539	86	1,017	0	**63,584**
Net book value at 31 March 2016	13,721	46,254	545	2,966	1,415	73	779	0	**65,753**
Net book value at 31 March 2016 comprises :									
Purchased	13,721	43,959	545	2,966	1,089	73	779	0	**63,132**
Donated	0	2,295	0	0	326	0	0	0	**2,621**
Government Granted	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	13,721	46,254	545	2,966	1,415	73	779	0	**65,753**
Asset financing :									
Owned	13,721	46,254	545	2,966	1,415	73	779	0	**65,753**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	13,721	46,254	545	2,966	1,415	73	779	0	**65,753**

The net book value of land, buildings and dwellings at 31 March 2016 comprises :

	£000
Freehold	**60,520**
Long Leasehold	**0**
Short Leasehold	**0**
	60,520

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2014	13,288	46,589	663	1,071	4,797	471	2,642	0	**69,521**
Indexation	266	1,928	33	0	48	4	0	0	**2,279**
Additions									
- purchased	0	1,326	0	1,154	476	46	663	0	**3,665**
- donated	0	48	0	0	140	0	0	0	**188**
- government granted	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	229	0	(229)	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Reversal of impairments	0	403	0	0	0	0	0	0	**403**
Impairments	0	(249)	0	0	0	0	0	0	**(249)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	(51)	(9)	(107)	0	0	(16)	(205)	0	**(388)**
At 31 March 2015	13,503	50,265	589	1,996	5,461	505	3,100	0	**75,419**
Depreciation at 1 April 2014	0	3,297	41	0	3,504	411	2,079	0	**9,332**
Indexation	0	165	2	0	35	4	0	0	**206**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	0	0	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	(9)	(6)	0	0	(16)	(205)	0	**(236)**
Provided during the year	0	1,902	19	0	383	20	209	0	**2,533**
At 31 March 2015	0	5,355	56	0	3,922	419	2,083	0	**11,835**
Net book value at 1 April 2014	13,288	43,292	622	1,071	1,293	60	563	0	**60,189**
Net book value at 31 March 2015	13,503	44,910	533	1,996	1,539	86	1,017	0	**63,584**
Net book value at 31 March 2015 comprises :									
Purchased	13,503	42,636	533	1,996	1,173	86	1,017	0	**60,944**
Donated	0	2,274	0	0	366	0	0	0	**2,640**
Government Granted	0	0	0	0	0	0	0	0	**0**
At 31 March 2015	13,503	44,910	533	1,996	1,539	86	1,017	0	**63,584**
Asset financing :									
Owned	13,503	44,910	533	1,996	1,539	86	1,017	0	**63,584**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2015	13,503	44,910	533	1,996	1,539	86	1,017	0	**63,584**

The net book value of land, buildings and dwellings at 31 March 2015 comprises :

	£000
Freehold	58,946
Long Leasehold	0
Short Leasehold	0
	58,946

11. Property, plant and equipment (continued)

i) Assets donated in the year were purchased from funds donated by the public and charitable organisations and from funds provided by associations linked to specific hospitals.

ii) Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Land and buildings are restated to current value using professional valuations carried out by the District Valuers of the Inland Revenue at 5 yearly intervals and in the intervening years by the use of indices provided from the District Valuer via the Welsh Government. The valuations are carried out primarily on the basis of Modern Equivalent Asset cost for specialised operational property and existing use value for non-specialised operational property. For non-operational properties the valuations are carried out at open market value. A valuation exercise was last undertaken during the 2012/13 financial year

iii) Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Equipment is depreciated on current cost evenly over the estimated useful life of the asset.

iv) There is considered to be no material difference between the open market value of properties and the existing use value at which they are held.

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2015	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	0	0	0	0	0	**0**
Revaluation	0	0	0	0	0	**0**
Less assets sold in the year	0	0	0	0	0	**0**
Add reversal of impairment of assets held for sale	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2016	0	0	0	0	0	**0**
Balance brought forward 1 April 2014	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	0	0	0	0	0	**0**
Revaluation	0	0	0	0	0	**0**
Less assets sold in the year	0	0	0	0	0	**0**
Add reversal of impairment of assets held for sale	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2015	0	0	0	0	0	**0**

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2015	0	0	0	0	0	0	**0**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reversal of impairments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions- purchased	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions- internally generated	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions- donated	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions- government granted	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassified as held for sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfers	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross cost at 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation at 1 April 2015	0	0	0	0	0	0	**0**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reversal of impairments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Provided during the year	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassified as held for sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfers	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation at 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 1 April 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2016							
Purchased	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Donated	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Government Granted	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Internally generated	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total at 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2014	0	0	0	0	0	0	**0**
Revaluation	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Reversal of impairments	0	0	0	0	0	0	**0**
Impairments	0	0	0	0	0	0	**0**
Additions- purchased	0	0	0	0	0	0	**0**
Additions- internally generated	0	0	0	0	0	0	**0**
Additions- donated	0	0	0	0	0	0	**0**
Additions- government granted	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Transfers	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	0	**0**
Gross cost at 31 March 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation at 1 April 2014	0	0	0	0	0	0	**0**
Revaluation	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Reversal of impairments	0	0	0	0	0	0	**0**
Impairment	0	0	0	0	0	0	**0**
Provided during the year	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Transfers	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	0	**0**
Amortisation at 31 March 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 1 April 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 31 March 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2015							
Purchased	0	0	0	0	0	0	**0**
Donated	0	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	0	**0**
Internally generated	0	0	0	0	0	0	**0**
Total at 31 March 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**

This page is intentionally left blank

13 . Impairments

	2015-16 Property, plant & equipment £000	2015-16 Intangible assets £000	2014-15 Property, plant & equipment £000	2014-15 Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	**0**	0	**0**	0
Abandonment in the course of construction	**0**	0	**0**	0
Over specification of assets (Gold Plating)	**0**	0	**0**	0
Loss as a result of a catastrophe	**0**	0	**0**	0
Unforeseen obsolescence	**0**	0	**0**	0
Changes in market price	**0**	0	**0**	0
Others (specify)	**(239)**	0	**(154)**	0
Total of all impairments	**(239)**	0	**(154)**	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	**(239)**	0	**(154)**	0
Charged to Revaluation Reserve	**0**	0	**0**	0
	(239)	0	**(154)**	0

Within the healthcare segment of the THB, there have been two impairments in year totalling -£0.476M charged to the Statement of Comprehensive Net Expenditure.

The first impairment occurred as a result of the initial valuation for the bringing into use of the newly refurbished Adelina Patti Ward in Ystradgynlais Hospital to house the Community Mental Health Team relocating from another site within the town. The value of this impairment was £0.135M

The second impairment occurred as a result of an increase arising on revaluations that reversed an impairment for the same assets previously recognised as impairments in expenditure. In this case it is credited to expenditure to the extent of the decrease previously charged there. This amounted to a reversal of impairment of £-0.374M.

Impairment funding to cover adjustments required is provided to the THB by Welsh Government on an annual basis.

14.1 Inventories

	31 March 2016 £000	31 March 2015 £000
Drugs	83	69
Consumables	40	24
Energy	15	25
Work in progress	0	0
Other	4	4
Total	**142**	122
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March 2016 £000	31 March 2015 £000
Inventories recognised as an expense in the period	0	0
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
Total	**0**	**0**

15. Trade and other Receivables

Current	**31 March 2016 £000**	31 March 2015 £000
Welsh Government	**2,086**	130
WHSSC / EASC	**188**	115
Welsh Health Boards	**1,459**	611
Welsh NHS Trusts	**108**	176
Non - Welsh Trusts	**138**	155
Other NHS	**0**	0
Welsh Risk Pool	**10,009**	1,648
Local Authorities	**264**	363
Capital debtors	**0**	48
Other debtors	**1,971**	2,123
Provision for irrecoverable debts	**(203)**	(223)
Pension Prepayments	**0**	0
Other prepayments	**428**	393
Other accrued income	**0**	0
Sub total	**16,448**	5,539
Non-current		
Welsh Government	**0**	0
WHSSC / EASC	**0**	0
Welsh Health Boards	**0**	0
Welsh NHS Trusts	**0**	0
Non - Welsh Trusts	**0**	0
Other NHS	**0**	0
Welsh Risk Pool	**12,624**	28,096
Local Authorities	**0**	0
Capital debtors	**0**	0
Other debtors	**0**	0
Provision for irrecoverable debts	**0**	0
Pension Prepayments	**0**	0
Other prepayments	**0**	0
Other accrued income	**0**	0
Sub total	**12,624**	28,096
Total	**29,072**	33,635
Receivables past their due date but not impaired		
By up to three months	**874**	326
By three to six months	**184**	4
By more than six months	**179**	200
	1,237	530
Provision for impairment of receivables		
Balance at 1 April	**(223)**	(201)
Transfer to other NHS Wales body	**0**	0
Amount written off during the year	**0**	0
Amount recovered during the year	**33**	16
(Increase) / decrease in receivables impaired	**(13)**	(38)
Bad debts recovered during year	**0**	0
Balance at 31 March	**(203)**	(223)

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies

Receivables VAT		
Trade receivables	**0**	0
Other	**0**	0
Total	**0**	0

The Trade Receivables amount in year for Welsh Government has increased due to the funding of the hosted function of Health and Care Research Wales being funded via invoice rather than direct funding. The quarter 4 invoice raised in March 2016 in relation to this service was outstanding at the 31st March 2016. This payment was received in early April 2015

16. Trade and other payables

Current	**31 March 2016 £000**	31 March 2015 £000
Welsh Government	**49**	1
WHSSC / EASC	**1,346**	626
Welsh Health Boards	**2,218**	2,353
Welsh NHS Trusts	**96**	122
Other NHS	**3,181**	5,166
Taxation and social security payable / refunds	**0**	0
Refunds of taxation by HMRC	**0**	0
VAT payable to HMRC	**0**	0
Other taxes payable to HMRC	**0**	0
NI contributions payable to HMRC	**15**	14
Non-NHS creditors	**4,942**	3,933
Local Authorities	**4,592**	1,582
Capital Creditors	**727**	1,221
Overdraft	**0**	0
Rentals due under operating leases	**0**	0
Obligations under finance leases, HP contracts	**0**	0
Imputed finance lease element of on SoFP PFI contracts	**0**	0
Pensions: staff	**0**	0
Accruals	**18,295**	13,941
Deferred Income:		
Deferred Income brought forward	**191**	0
Deferred Income Additions	**134**	191
Transfer to / from current/non current deferred income	**0**	0
Released to SoCNE	**(191)**	0
Other creditors	**0**	0
PFI assets –deferred credits	**0**	0
Payments on account	**0**	0
Total	**35,595**	29,150
Non-current		
Welsh Government	**0**	0
WHSSC / EASC	**0**	0
Welsh Health Boards	**0**	0
Welsh NHS Trusts	**0**	0
Other NHS	**0**	0
Taxation and social security payable / refunds	**0**	0
Refunds of taxation by HMRC	**0**	0
VAT payable to HMRC	**0**	0
Other taxes payable to HMRC	**0**	0
NI contributions payable to HMRC	**0**	0
Non-NHS creditors	**0**	0
Local Authorities	**0**	0
Capital Creditors	**0**	0
Overdraft	**0**	0
Rentals due under operating leases	**0**	0
Obligations under finance leases, HP contracts	**0**	0
Imputed finance lease element of on SoFP PFI contracts	**0**	0
Pensions: staff	**0**	0
Accruals	**0**	0
Deferred Income :		
Deferred Income brought forward	**0**	0
Deferred Income Additions	**0**	0
Transfer to / from current/non current deferred income	**0**	0
Released to SoCNE	**0**	0
Other creditors	**0**	0
PFI assets –deferred credits	**0**	0
Payments on account	**0**	0
Total	**0**	0

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

17. Provisions

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	**1,131**	0	0	6,924	2,198	(1,129)	(467)	0	**8,657**
Personal injury	**569**	0	0	50	1,248	(491)	(216)	15	**1,175**
All other losses and special payments	**0**	0	0	0	5	(5)	0	0	**0**
Defence legal fees and other administration	**27**	0	0	63	246	(35)	(14)		**287**
Pensions relating to former directors	**0**			0	0	0	0	0	**0**
Pensions relating to other staff	**756**			584	0	(714)	0	88	**714**
Restructuring	**0**			0	0	0	0	0	**0**
Other	**1,398**		0	0	118	(478)	(710)		**328**
Total	**3,881**	**0**	**0**	7,621	3,815	(2,852)	(1,407)	**103**	**11,161**
Non Current									
Clinical negligence	**27,895**	0	0	(6,924)	0	(606)	(7,822)	0	**12,543**
Personal injury	**1,091**	0	0	(50)	5	0	(10)	0	**1,036**
All other losses and special payments	**0**	0	0	0	0	0	0	0	**0**
Defence legal fees and other administration	**223**	0	0	(63)	11	(24)	(66)		**81**
Pensions relating to former directors	**0**			0	0	0	0	0	**0**
Pensions relating to other staff	**6,106**			(584)	405	0	(244)	0	**5,683**
Restructuring	**0**			0	0	0	0	0	**0**
Other	**0**		0	0	0	0	0		**0**
Total	**35,315**	**0**	**0**	**(7,621)**	**421**	**(630)**	**(8,142)**	**0**	**19,343**
TOTAL									
Clinical negligence	**29,026**	**0**	**0**	**0**	**2,198**	**(1,735)**	**(8,289)**	**0**	**21,200**
Personal injury	**1,660**	**0**	**0**	**0**	**1,253**	**(491)**	**(226)**	**15**	**2,211**
All other losses and special payments	**0**	**0**	**0**	**0**	**5**	**(5)**	**0**	**0**	**0**
Defence legal fees and other administration	**250**	**0**	**0**	**0**	**257**	**(59)**	**(80)**		**368**
Pensions relating to former directors	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Pensions relating to other staff	**6,862**			**0**	**405**	**(714)**	**(244)**	**88**	**6,397**
Restructuring	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Other	**1,398**		**0**	**0**	**118**	**(478)**	**(710)**		**328**
Total	**39,196**	**0**	**0**	**0**	**4,236**	**(3,482)**	**(9,549)**	**103**	**30,504**

Expected timing of cash flows:

	In year to 31 March 2017	Between 1 April 2017 31 March 2022	Between 1 April 2022 31 March 2027	Thereafter	Total
					£000
Clinical negligence	8,657	12,543	0	0	**21,200**
Personal injury	1,174	299	265	473	**2,211**
All other losses and special payments	0	0	0	0	**0**
Defence legal fees and other administration	288	80	0	0	**368**
Pensions relating to former directors	0	0	0	0	**0**
Pensions relating to other staff	729	3,318	1,833	517	**6,397**
Restructuring	0	0	0	0	**0**
Other	328	0	0	0	**328**
Total	**11,176**	**16,240**	**2,098**	**990**	**30,504**

The THB estimates that in 2016/17 it will receive £10.009M and in 2017-18 and beyond £12.624M from the Welsh Risk Pool in respect of Losses and Special Payments

£22.497M of provision relates to the probable liabilities of the former Health Authorities in respect of Medical Negligence and Personal Injury Claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust)
There is one case whose assessment of liability amounts have been decreased in year creating a significant reversed/unused provision of £7.629M.

Contingent Liabilities are directly linked to these claims.

Also included within 'other' at 31st March 2016 is £0.328M relating to retrospective continuing health care claims (2014/15 £1.398M)

17. Provisions (continued)

	At 1 April 2014	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2015
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	4,939	0	0	527	560	(3,681)	(1,214)	0	**1,131**
Personal injury	110	0	0	0	760	(313)	(1)	13	**569**
All other losses and special payments	0	0	0	0	137	(137)	0	0	**0**
Defence legal fees and other administration	85	0	0	307	48	(103)	(310)		**27**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	744			0	629	(741)	0	124	**756**
Restructuring	0			0	0	0	0	0	**0**
Other	1,743		0	0	711	(427)	(629)		**1,398**
Total	**7,621**	**0**	**0**	**834**	**2,845**	**(5,402)**	**(2,154)**	**137**	**3,881**
Non Current									
Clinical negligence	25,563	0	0	(527)	5,584	(500)	(2,225)	0	**27,895**
Personal injury	698	0	0	0	393	0	0	0	**1,091**
All other losses and special payments	0	0	0	0	0	0	0	0	**0**
Defence legal fees and other administration	767	0	0	(307)	2	(29)	(210)		**223**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	6,281			0	48	0	(223)	0	**6,106**
Restructuring	0			0	0	0	0	0	**0**
Other	0		0	0	0	0	0		**0**
Total	**33,309**	**0**	**0**	**(834)**	**6,027**	**(529)**	**(2,658)**	**0**	**35,315**
TOTAL									
Clinical negligence	30,502	0	0	0	6,144	(4,181)	(3,439)	0	**29,026**
Personal injury	808	0	0	0	1,153	(313)	(1)	13	**1,660**
All other losses and special payments	0	0	0	0	137	(137)	0	0	**0**
Defence legal fees and other administration	852	0	0	0	50	(132)	(520)		**250**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	7,025			0	677	(741)	(223)	124	**6,862**
Restructuring	0			0	0	0	0	0	**0**
Other	1,743		0	0	711	(427)	(629)		**1,398**
Total	**40,930**	**0**	**0**	**0**	**8,872**	**(5,931)**	**(4,812)**	**137**	**39,196**

18. Contingencies

18.1 Contingent liabilities

Provisions have not been made in these accounts for the following amounts :	**2015-16 £'000**	2014-15 £'000
Legal claims for alleged medical or employer negligence	**32,301**	32,500
Doubtful debts	**0**	0
Equal Pay costs	**0**	0
Defence costs	**0**	0
Continuing Health Care costs	**0**	0
Other	**0**	0
Total value of disputed claims	**32,301**	32,500
Amounts recovered in the event of claims being successful	**32,243**	32,322
Net contingent liability	**58**	178

Legal Claims for alleged medical or employer negligence: £32.160M of the £32.301M relate solely to the former Health Authorities in respect of Medical Negligence and Personal Injury Claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust). Legal advice has established that these claims are not likely to result in payments. In the unlikely event that amounts are payable, all payments will be reimbursed to Powys THB by the Welsh Risk Pool

Liabilities for continuing healthcare costs continue to be a significant financial issue for the THB. The 31st July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1st April 2003 resulted in a large increase in the number of claims registered for the last financial year. Powys THB is responsible for the post 1st April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs: Note 17 sets out the £0.328M provision made for probable continuing care costs relating to 6 cases However, in addition the THB has a further 56 claims, which were received by the 31st July 2014 deadline, for which the assessment process remains incomplete. The assessment process is highly complex, involves multi disciplinary teams and for those reasons can take many months. At this stage the THB does not have the information to make a judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the THB, which cannot be quantified at this time.
Claims received after 31st July 2014 total 13 at this stage and the THB does not have the information to make a judgement on the likely success or otherwise of these claims. However they may also result in significant additional costs to the THB, which cannot be quantified at this time.

18.2 Remote Contingent liabilities

Please disclose the values of the following categories of remote contingent liabilities :	**2015-16 £'000**	2014-15 £'000
Guarantees	**0**	**0**
Indemnities	**7,270**	**20**
Letters of Comfort	**0**	**0**
Total	**7,270**	**20**

Note 18.2 is a new note for 2015/16 and the 2014/15 balance for note 18.1 and 18.2 has been restated for comparative purposes

18.3 Contingent assets

	2015-16 £'000	2014-15 £'000
	0	0
	0	0
	0	0
Total	**0**	0

19. Capital commitments

Contracted capital commitments at 31 March	**2015-16 £'000**	2014-15 £'000
Property, plant and equipment	**1,134**	299
Intangible assets	**0**	0
Total	**1,134**	299

20. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial year

	Amounts paid out during period to 31 March 2016		Approved to write-off to 31 March 2016	
	Number	£	Number	£
Clinical negligence	14	1,774,036	0	0
Personal injury	12	446,429	0	0
All other losses and special payments	9	5,311	0	0
Total	35	2,225,776	0	0

Analysis of cases which exceed £300,000 and all other cases

		Amounts paid out in year	Cumulative amount	Approved to write-off in year
Cases exceeding £300,000		£	£	£
Case Ref	Case type	0	0	0
MN/030/0186/ALF	Clinical Negligence	0	521,886	0
MN/030/0464/ED	Clinical Negligence	463,580	572,272	0
MN/030/0614/ECM	Clinical Negligence	615,660	638,843	0
MN/030/0623/GAK	Clinical Negligence	303,066	307,498	0
MN/030/0740/ES	Clinical Negligence	263,937	2,266,212	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Sub-total		**1,646,243**	**4,306,711**	**0**
All other cases		579,533	853,488	0
Total cases		**2,225,776**	**5,160,199**	**0**

21. Cash and cash equivalents

	2015-16 £000	2014-15 £000
Balance at 1 April	902	259
Net change in cash and cash equivalent balances	(236)	643
Balance at 31 March	666	902
Made up of:		
Cash held at GBS	645	941
Commercial banks	21	(39)
Cash in hand	0	0
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	666	902
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	666	902

22. Other Financial Assets

	Current		Non-current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Financial assets				
Shares and equity type investments				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Deposits	0	0	0	0
Loans	0	0	0	0
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Total	0	0	0	0

23. Other financial liabilities

	Current		Non-current	
Financial liabilities	**31 March 2016 £000**	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Financial Guarantees:				
At amortised cost	**0**	0	**0**	0
At fair value through SoCNE	**0**	0	**0**	0
Derivatives at fair value through SoCNE	**0**	0	**0**	0
Other:				
At amortised cost	**0**	0	**0**	0
At fair value through SoCNE	**0**	0	**0**	0
Total	**0**	0	**0**	0

24. Related Party Transactions

Total value of transactions with Board members and key senior staff in 2015-2016

Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
£	£	£	£
0	0	0	0

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Powys THB.

There have been no related party transactions with Welsh Ministers.

"The Welsh Government is regarded as a related party. During the year Powys Teaching Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body, namely

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	52	273,806	49	2,086
Abertawe Bro Morgannwg University Local Health Board	9,624	1,612	490	196
Aneurin Bevan University Local Health Board	19,436	1,152	560	767
Betsi Cadwaladr University Local Health Board	4,717	961	584	177
Cardiff & Vale University Local Health Board	1,467	230	211	21
Cwm Taf University Local Health Board	1,663	240	87	224
Hywel Dda University Local Health Board	7,436	706	285	74
Public Health Wales NHS Trust	147	174	10	23
Velindre NHS Trust	2,078	355	69	29
Welsh Ambulance Services NHS Trust	742	56	17	56
WHSSC (Hosted by Cwm Taf University Local Health Board)	31,131	222	1,346	188

A number of the THB's Board members have interests in related parties as follows:

Name	Details	Interests
Councillor Melanie Davies	Vice Chair	Councillor, Powys County Council
Councillor Matthew Dorrance	Independent Member	Councillor, Powys County Council
Councillor Tony Thomas	Independent Member	Councillor, Powys County Council
Patricia Buchan	Independent Member	Health & Social Care Facilitator - Powys Association of Voluntary Oragnisations
Amanda Lewis	Associate Member	Strategic Director of People, Powys County Council

The value of transactions with these bodies are as follows:

Powys Association of Voluntary Organisations	£0.207M
Powys County Council	£7.062M

Powys THB has hosted the following functions on behalf of NHS Wales on which it receives income from the Welsh Government and other LHB's:
- Residual Clinical Negligence
- Community Health Councils
- Continuing Care Case Administration
- Health and Care Research Wales (HCRW)

Powys THB also has material transactions with English NHS Trusts with whom it commissions healthcare including:
- Shrewsbury and Telford NHS Trust
- Wye Valley NHS Trust
- The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

Powys THB has also received items donated from the Powys THB Charitable Fund, for which the Board is the Corporate Trustee.

25. Third Party assets

The THB held £60.00 cash at bank and in hand at 31 March 2016 (31 March 2015, £0.00) which relates to monies held by the THB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £0.00 at 31 March 2016 (31 March 2015, £0.00). This has been excluded from the Cash and Cash equivalents figure reported in the Accounts.

26. Finance leases

26.1 Finance leases obligations (as lessee)

The Teaching Health Board has no Finance Lease arrangments in operation.

Amounts payable under finance leases:

Land	**31 March 2016 £000**	31 March 2015 £000
Minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

26.1 Finance leases obligations (as lessee) continue

Amounts payable under finance leases:

Buildings	**31 March 2016**	31 March 2015
Minimum lease payments	**£000**	£000
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

Other	**31 March 2016**	31 March 2015
Minimum lease payments	**£000**	£000
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

26.2 Finance leases obligations (as lessor) continued

The Local Health Board has no finance leases receivable as a lessor.

Amounts receivable under finance leases:

	31 March 2016	31 March 2015
Gross Investment in leases	**£000**	£000
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

27. Private Finance Initiative contracts

The Teaching Local Health Board has no Private Finance Initiative Contracts in operation

27.1 PFI schemes off-Statement of Financial Position

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2016 £000	31 March 2015 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

27.2 PFI schemes on-Statement of Financial Position

The Teaching Local Health Board has no Private Finance Initiative Contracts in

Total obligations for on-Statement of Financial Position PFI contracts due:

	On SoFP PFI Capital element 31 March 2016 £000	On SoFP PFI Imputed interest 31 March 2016 £000	On SoFP PFI Service charges 31 March 2016 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0

	On SoFP PFI Capital element 31 March 2015 £000	On SoFP PFI Imputed interest 31 March 2015 £000	On SoFP PFI Service charges 31 March 2015 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0
Total present value of obligations for on-SoFP PFI contracts	0		

27.3 Charges to expenditure	2015-16	2014-15
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	0	0
Total expense for Off Statement of Financial Position PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	0	0

The LHB is committed to the following annual charges

PFI scheme expiry date:	31 March 2016 £000	31 March 2015 £000
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	0	0
Total	0	0

The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

27.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	0	0
Number of PFI contracts which individually have a total commitment > £500m	0	0

PFI Contract	On /off statement of financial position
Number of PFI contracts which individually have a total commitment > £500m	

PFI Contract

27.5 The LHB has no Public Private Partnerships

28. Pooled budgets

A Funded Nursing Care

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in accordance with Section 31 of the Health Act 1999. The health related function which is subject to these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under section 2 of the National Health Service Act 1977. In accordance with the Social Care Act 2001 Section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. (Circular 12/2003)
The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Government Guidance NHS Funded Nursing Care 2004. The Budget set for 2015/16 for free nursing care was £2,070,147.00

	Other	Total
	£	£
Gross Funding		
Powys County Council	*1,064,557*	*1,064,557*
Powys Teaching Health Board	*0*	*0*
Total Funding	*1,064,557*	*1,064,557*
Expenditure		
Monies spent in accordance with	*0*	*0*
Pooled budget arrangement		
Total Expenditure	*0*	*0*
Net under/(over) spend	*1,064,557*	*1,064,557*
The above memorandum account is subject to the financial statements of Powys County Council (the Host).		

B Provision of Community Equipment

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of community equipment in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. The purpose of the agreement is to facilitate the provision of a community equipment service and the development of this service in Powys. The service is provided from a pooled fund and is within the THB's and the Council's powers. The THB contribution to the community equipment pooled budget was £521,000 for 2015/16.

	Powys County Council	Powys THB Funding	Total
	£	£	£
Gross Funding			
Original funding	*521,000*	*521,000*	*1,042,000*
Rental Income	*15,000*	*0*	*15,000*
Total Funding	*536,000*	*521,000*	*1,057,000*
Expenditure			
Monies spent in accordance with			*1,273,000*
Pooled budget arrangement			
Total Expenditure			*1,273,000*
Net under/(over) spend			*(216,000)*
Share of deficit			*(108,000)*
The above memorandum account is subject to the financial statements of Powys County Council (the Host).			

C Provision of Section 33 Joint Agreement for the provision of IT Services

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of IT services in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. The purpose of the agreement is to facilitate the provision of a shared IT service and the development of this service in Powys. The service is provided from a pooled fund and is within the THB's and the Council's powers. The THB contribution to the IT pooled budget in 2015/16 was £1,088,634.

	Total
	£
Gross Funding	
Powys County Council	*2,167,580*
Powys Teaching Health Board	*1,088,634*
Total Funding	*3,256,214*
Expenditure	
Powys County Council	*2,109,153*
Powys Teaching Health Board	**1,080,502**
Total Expenditure	*3,189,655*
Net under/(over) spend	*66,559*
The pool includes 52.36 WTE	
The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).	

28. Pooled budgets (Cont)

D Provision of Section 33 Joint Agreement for the provision of a Reablement Service

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of an effective and sustainable joint reablement service which meets the needs of the Powys communities in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. This service is provided from a pooled fund and is within the THB's and the Council's powers. The THB contribution to the Reablement pooled budget in 2015/16 was £828,000.

	Total
	£
Gross Funding	
Powys County Council	***413,380***
Powys Teaching Health Board	***828,000***
Total Funding	***1,241,380***
Expenditure	
Monies spent in accordance with	
Pooled budget arrangement	**1,241,380**
Total Expenditure	
Net under/(over) spend	***0***

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

E Provision of Section 33 Joint Agreement for the provision of Tier 2/3 Psycho-social Treatment Services

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations. The purpose of the agreement is to provide a Tier 2 and 3 service provision for drug and alcohol users and their concerned others.

	Funding	Expenditure	Total
	£	£	£
Gross Funding			
Powys County Council	***669,912***		***669,912***
Powys Teaching Health Board	***121,864***		***121,864***
Total Funding	***791,776***		***791,776***
Expenditure			
Monies spent in accordance with			
Joint Arrangement		791,776	**791,776**
Total Expenditure		***791,776***	***791,776***
Net under/(over) spend			***0***

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

F Provision of Section 33 Joint Agreement for the provision of Personal Care at Glan Irfon Integrated Health and Social Care Unit, Builth Wells

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement to enable the use of resources relating to the Inpatient Services at the Glan Irfon Health and Social Centre, Builth Wells.
This agreement is in line with Section 33 of the National Health Service Wales Act 2006 and provides a coordinated approach to the commissioning, management and monitoring of these Inpatient Services.

The Service Provider, BUPA Health Care under the pooled budget will provide person centred care at the new unit, for up to 12 residents within the short stay shared care unit (max 6 weeks stay) with in-reach clinical, nursing and reablement support (registered under CSSIW for Residential Care).

	Funding	Expenditure	Total
	£	£	£
Gross Funding			
Powys County Council	***177,249***		***177,249***
Powys Teaching Health Board	***176,280***		***176,280***
Total Funding	***353,529***		***353,529***
Expenditure			
Monies spent in accordance with			
Pooled budget arrangement		354,497	**354,497**
Total Expenditure		***354,497***	***354,497***
Net under/(over) spend			***(968)***

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

29. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The TLHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The TLHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the TLHB in undertaking its activities.

Currency risk
The TLHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The TLHB has no overseas operations. The TLHB therefore has low exposure to currency rate fluctuations.

Interest rate risk
LHBs are not permitted to borrow. The TLHB therefore has low exposure to interest rate fluctuations

Credit risk
Because the majority of the TLHB's funding derives from funds voted by the Welsh Government the TLHB has low exposure to credit risk.

Liquidity risk
The TLHB is required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The TLHB is not, therefore, exposed to significant liquidity risks.

30. Movements in working capital

	2015-16	2014-15
	£000	£000
(Increase)/decrease in inventories	(20)	24
(Increase)/decrease in trade and other receivables - non - current	15,472	(1,852)
(Increase)/decrease in trade and other receivables - current	(10,909)	4,729
Increase/(decrease) in trade and other payables - non - current	0	0
Increase/(decrease) in trade and other payables - current	6,445	1,037
Total	10,988	3,938
Adjustment for accrual movements in fixed assets -creditors	494	(569)
Adjustment for accrual movements in fixed assets -debtors	(48)	32
Other adjustments	0	0
	11,434	3,401

31. Other cash flow adjustments

	2015-16	2014-15
	£000	£000
Depreciation	2,882	2,533
Amortisation	0	0
(Gains)/Loss on Disposal	1	(9)
Impairments and reversals	(239)	(154)
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(45)	(188)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	(5,210)	4,197
Total	(2,611)	6,379

32. Events after the Reporting Period

There are no events after the Reporting Period to be declared

33. Operating segments

IFRS 8 requires bodies to report information about each of its operating segments.

		Total Total Powys "Health" £'000	Total Residual Clinical Negligence £'000	Total Community Health Councils £'000	Total Continuing Care Case Administration £'000	Total Health and Care Research Wales (HCRW) £'000	Consolidation Adjustments £'000	Total £'000
	Note							
Expenditure on Primary Healthcare Services	3.1	63,513	0	0	0	0	0	63,513
Expenditure on healthcare from other providers	3.2	143,721	0	0	0	0	0	143,721
Expenditure on Hospital and Community Health Services	3.3	69,784	25	3,883	1,269	3,498	(249)	78,210
		277,018	**25**	**3,883**	**1,269**	**3,498**	**(249)**	**285,444**
Less: Miscellaneous Income	4	8,626		53	1,269	3,498	(249)	13,197
THB net operating costs before interest and other gains and losses		**268,392**	**25**	**3,830**	**0**	**0**	**0**	**272,247**
Investment Income	8	0	0	0	0	0	0	0
Other (Gains) / Losses	9	1	0	0	0	0	0	1
Finance costs	10	101	0	2	0	0	0	103
THB Net Operating Costs		**268,494**	**25**	**3,832**	**0**	**0**	**0**	**272,351**
Less Non Discretionary Expenditure		(855)	0	0	0	0	0	(855)
Revenue Resource Limit		269,387	25	3,832	0	0	0	273,244
Under / (over) spend against Revenue Resource Limit		**38**	**0**	**0**	**0**	**0**	**0**	**38**

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS ACCOUNTABLE OFFICER OF THE LOCAL HEALTH BOARD

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the LHB. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Welsh Government.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Date: 31 May 2016

C Shillabeer: Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury

- make judgements and estimates which are responsible and prudent

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Welsh Ministers.

By Order of the Board

Signed:

Chair: V Harpwood Dated: 31 May 2016

Chief Executive: C Shillabeer Dated: 31 May 2016

Director of Finance: G Jones Dated: 31 May 2016

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2011 and subsequent financial years in respect of the Local Health Boards (LHB)1, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

(a) the accounting guidance of the Government Financial Reporting Manual (FReM), which is in force for the financial year in which the accounts are being prepared, and has been applied by the Welsh Government and detailed in the NHS Wales LHB Manual for Accounts;

(b) any other specific guidance or disclosures required by the Welsh Government.

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net expenditure, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2011 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

5. The account shall be signed and dated by the Chief Executive of the LHB.

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst Dated :

1. Please see regulation 3 of the 2009 No.1559 (W.154); NATIONAL HEALTH SERVICE, WALES; The Local Health Boards (Transfer of Staff, Property, Rights and Liabilities) (Wales) Order 2009

ANNUAL GOVERNANCE STATEMENT

My responsibilities as Accountable Officer

As set out in the Corporate Governance section of the Accountability Report (which can be accessed from our website), as the Accountable Officer of Powys Teaching Health Board, I have clearly defined responsibilities as set out in the Accountable Officer Memorandum and my letter of appointment. These responsibilities relate to maintaining appropriate governance structures and procedures, as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. Most importantly I am responsible for ensuring the quality and safety of the services that the health board provides and commissions on behalf of the people of Powys.

I am held to account for my performance by the Chair of the Powys Teaching Health Board and the Chief Executive and Accounting Officer for the NHS in Wales. I have formal performance meetings with both the Chair and the Chief Executive of NHS Wales. Further, the executive team of the health board meet with the senior leaders of the Department of Health and Social Services on a regular basis.

The system of internal controls

The system of internal control operating across Powys Teaching Health Board is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives of the health board, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. I can confirm the system of internal

During the year matters were brought to my attention that highlighted weaknesses in the health board's control arrangements and non-compliance with Standing Financial Instructions. The matters which related to capital and estates expenditure underlined weaknesses in controls related to:

- **capital and estates tendering and contracting procedures;**
- **financial controls and monitoring;**
- **procurement; and**
- **corporate governance processes, such as compliance with Standing Financial Instructions and arrangements for the declaration of interests.**

These matters have been fully investigated and audited and I am satisfied that appropriate steps have been taken to address identified weaknesses. The Welsh Government and Wales Audit Office have been fully briefed of the situation and the steps that I have taken.

Chief Executive, Carol Shillabeer

control has been in place at the health board for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

In line with my Accountable Officer responsibilities I have put mechanisms in place for the review, on an on-going basis, of the effectiveness of the systems of internal control operating across all functions of the health board. As in previous year's my review and evaluation of the adequacy of the system of internal control has been informed by executive officers who have responsibility for the development, implementation and maintenance of the internal control framework; the work of the committees established by the Board; the health board's internal auditors and the feedback and views of external auditors set out in their annual audit letter and other reports.

As Accountable Officer, I also have overall responsibility for risk management and report to the Board on the effectiveness of risk management across the health board. My advice to the Board is again informed by executive officers, feedback received from Board Committees; in particular the Audit Committee and Quality and Safety Committee. I have provided detailed comments on the organisation's risk framework and key risks later in this statement.

I am pleased to say that during the year some important appointments were made to the Executive Team (interim and permanent), further details are provided in the Directors' report in the Accountability Report which can be found on our website. Such strengthening of the executive team meant that I was able to gain greater assurance in relation to the effectiveness of internal controls, risk management arrangements and assurance mechanisms.

The Governance Framework of the health board

To be effective governance structures must be clear, transparent and integrated. They must be designed to facilitate, support and drive prudent health and care, co-production and integration. For these reasons the health board's governance and assurance arrangements have been aligned to the requirements set out in the Welsh Government's Governance e-manual and the Citizen Centred Governance Principles. The seven Citizen Centred Governance Principles provide the framework for the business conduct of the health board and define its 'ways of working'. Care has been taken to ensure that governance arrangements also reflect the requirements set out in HM Treasury's 'Corporate Governance in Central Government Departments: Code of Good Practice 2011'.

Like all health boards in Wales, Powys Teaching Health Board has agreed Standing Orders for the regulation of proceedings and business. These are designed to translate the statutory requirements set out in the health board (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice, and, together with the adoption of a scheme of matters reserved to the Board, a scheme of delegations to officers and others and Standing Financial Instructions they provide the regulatory framework for the business conduct of the health board and define its 'ways of working'. These documents, together with the range of corporate policies set by the Board make up the governance framework.

The scheme of delegation, as approved by the Board, reflects the responsibilities and accountabilities delegated to Executive Directors for the delivery of the health board's objectives, whilst ensuring that high standards of public accountability, probity and performance are maintained.

During 2015-16, the health board developed with its staff a Values and Behaviours Framework, which was approved by the Board in June 2015. The Values and Behaviour Framework was developed as part of the 'Chat to Change'[1] initiative.

---

1 Chat to Change is the staff engagement programme that was developed as a consequence of the findings from the NHS Staff Survey 2013 and the findings arising from the Francis Review.

Early in 2016-17, we will confirm the organisational governance model to ensure clarity over delegated levels of authority and accountability. This has started with a review of Standing Orders, Standing Financial Instructions, Scheme of Delegation and the portfolios of executive directors.

The Board

Robust governance is reliant upon effective and efficient Board and committee arrangements that ensure a balance of focus between strategic development, gaining assurance and scrutiny.

The Board sits at the top of the organisation's governance and assurance systems. Its principal role is to exercise effective leadership, provide strategic direction and control. The Board is accountable for governance and internal control in the organisation, and I, as the Chief Executive and Accountable Officer, am responsible for maintaining appropriate governance structures and procedures. In summary, the Board:

- Sets the strategic direction of the organisation within the overall policies and priorities of the Welsh Government and the NHS in Wales;
- Establishes and maintains high standards of corporate governance;
- Ensures the delivery of the aims and objectives of the organisation through effective challenge and scrutiny of performance across all areas of responsibility;
- Monitors progress against the delivery of strategic and annual objectives; and
- Ensures effective financial stewardship by effective administration and economic use of resources.

The Board functions as a corporate decision making body, Executive Directors and Independent Members being full and equal members and sharing corporate responsibility for all the decisions of the Board.

The Board generally meets on alternate months in public and comprises individuals from a range of backgrounds, disciplines and areas of expertise. Details of those who sit on the Board are published on our website at: *www.powysthb.wales.nhs.uk/board-membership*

The Directors' Report (see Accountability Report on our website), also provides details of the composition of the Board and its legislative basis.

During 2015 -16 the Board held:

- Seven meetings in public (including one extraordinary meeting);
- One Annual General Meeting; and
- Six development sessions.

Attendance at Board and Board committee meetings is formally recorded within the minutes, detailing where apologies have been received and deputies have been nominated. The agenda and minutes of all public meetings can be found on our website at: *www.powysthb.wales.nhs.uk/board-meetings*

All meetings of the Board and its Committees held in 2015-16 were appropriately constituted with a quorum. Table 2 on the following page sets out the level of attendance at such meetings.

Table 1 Board – Public and Private Meetings (not including development sessions or AGM)			
Member	Notes	Possible Number of Meetings*	Number Attended
Vivienne Harpwood, Chair	-	28	24*
Melanie Davies, Vice Chair	-	30	27**
Roger Eagle, Independent Member	-	35	34
Mark Baird, Independent Member	-	36	32
Paul Dummer, Independent Member	-	19	12
Trish Buchan, Independent Member	-	27	27
Matthew Dorrance, Independent Member	-	26	19***
Tony Thomas, Independent Member	In post from 1 June 2016	26	25
Sara Williams, Independent Member	In post from 9 September 2016	19	16****
Owen James, Independent Member	In post from 9 September 2016	9	8
Gareth Jones, Independent Member	In post until 30 April 2015	4	4
Andrew Leonard, Independent Member	In post until 6 June 2015	3	3
Gyles Palmer, Independent Member	In post until 31 July 2015	9	8

** four meetings were missed due to the independent member being engaged on Powys Teaching Health Board Chair responsibilities*

***three meetings missed due to the indenpendent member being engaged on Powys Teaching Health Board Vice Chair responsibilities*

****five of the seven meetings were missed due to the independent member being engaged on pre-existing Powys County Council responsibilities*

*****two meetings were missed due to the independent member being invovled in induction meetings*

Coverage of Work 2015-16

During 2015-16, key areas of focus for the Board have been:

- Setting the aims and strategic direction;
- Developing the Integrated Medium Term Plan;
- Reviewing operational and strategic risks;
- Considering and developing proposals for integration with Powys County Council (PCC);
- Partnership working, including involvement in collaboratives with neighbouring health boards;
- Agreeing the way forward in relation to the Board Assurance Framework;
- Reviewing performance against key national targets and internal targets; and

- Financial planning and performance, management and delivery of the health boards savings plans.

Board Composition

During the financial year the following substantive appointments were made as voting members of the Board:

- Rhiannon Jones, Director of Nursing
- Owen James, Independent Member
- Sara Williams, Independent Member
- Tony Thomas, Independent

Early in 2016-17 succession plans will be developed to take account of these changes and future changes to Board members.

Strengthening the Board

During 2015-16 we strengthened Board and its committee arrangements by:

Ensuring appropriate coverage and focus by:

- Establishing new committee arrangements. The Mental Health Service Assurance Committee was established in May 2015;
- Reviewing the effectiveness of the Board and its committees;
- Refocusing the Board's agenda on the Board's strategic objectives, ensuring these are reviewed on a cyclical basis;
- Reviewing the information needs of the Board and its committees;
- Revising the annual planning process and performance management framework; and
- Strengthening engagement with patients and staff by developing a Board programme of assurance visits and walkabouts.

Ensuring the effectiveness of Board members by:

- Ensuring that all independent members had access to health board information technology and systems so that they can receive information safely and securely and have easy access to mandatory training.

The Corporate Governance Code and the Board's Self-assessment of its Effectiveness

The Corporate Governance Code is reflected within key policies and procedures. Further, within our system of internal control, there are a range of mechanisms in place which are designed to monitor our compliance with the code, these include:

- Self-assessment;
- Internal and external audit; and
- Independent reviews.

The Board is clear that it is complying with the main principles of the Code, and is conducting its business openly and in line with the Code.

During the latter part of the year the Board and its Committees undertook self-assessments of their effectiveness and development needs. A Board Development Session was held on 17 March 2016 and this gave Board members the opportunity to reflect on areas where progress had been made and improvement is needed. The outcomes of this day are being used to inform the future development of the Governance Improvement Progamme and a Board Development Programme.

In early 2016-17 we will:

Strengthen engagement by

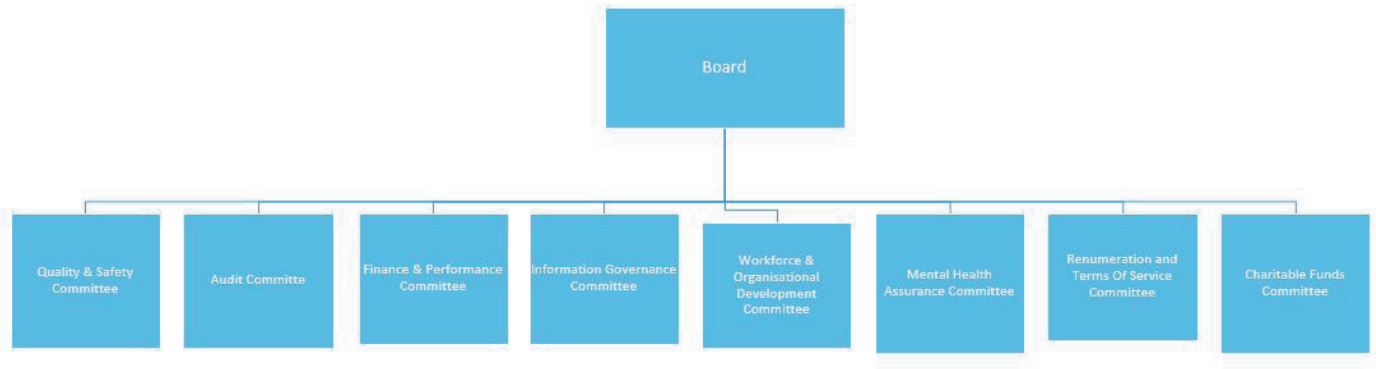
- establishing a Stakeholder Reference Group and a Health Professions Forum.

Ensure effective meetings by

- Reviewing the timing of Board and committee meetings; ensuring alignment with Executive Team Meeting; and
- Ensuring a clear focus on risk and assurance.

Committees of the Board

As referenced in the Directors' report to meet its responsibilities the Board has established eight key committees, each chaired by an Independent Member, which report directly to the Board:



In addition, the Executive Team, which is led by the Chief Executive, meets in formal session once a month and also reports directly to the Board. The committees and Executive Team play a key role in relation to the system of governance and assurance, decision making, scrutiny, development discussions, the assessment of current risks and performance monitoring.

Each committee has clear terms of reference and at the start of the year each produced a work programme setting out the areas they would focus on during the year. All committee terms of reference and work programmes can be viewed via the following link *www.powysthb.wales.nhs.uk/sub-committees*

During 2015-16, the committees considered and scrutinised a range of reports and issues relevant to the matters delegated to them by the Board. Reports considered by the committees included a range of internal audit reports, external audit reports and reports from other review and regulatory bodies, such as Healthcare Inspectorate Wales and Powys Community Health Council. The committees consideration and analysis of such information has played a key role in my assessment of the effectiveness of internal controls, risk management arrangements and assurance mechanisms.

The committees have also considered and advised on areas of local and national strategic developments and new policy areas. Board Members are also involved in a range of other activities on behalf of the Board, such as Board development sessions (at least six a year), meetings of committees of the Board, quality and safety 'walkrounds', shadowing and a range of other internal and external meetings.

Throughout the year, the Chair of each committee reported to the Board on the committees' activities. Further, in line with the health board's Standing Orders, each committee has produced an annual report, for 2015-16, setting out a helpful summary of its work. These

annual reports were considered in a public session of the Board and can be accessed via the following link *www.powysthb.wales.nhs.uk/sub-committees*

There is cross representation between committees to support the connection of the business of committees and also to seek to integrate assurance reporting. The health board is continuing to develop the ways in which its committees work together to ensure the Board has assurance on the breadth of the health board's work to meet its objectives and responsibilities.

An overview of the key areas of focus for each of the core governance committees is set out in Table 2 below:

Table 2

Quality and Safety Committee	• Performance against key patient experience, quality and safety indicators • The Annual Quality Statement • Reports on matters such as infection control, safeguarding • Risk management and assurance • Internal and external audit and inspection reports
Audit Committee	• Internal and external audit reports • Risk management and assurance • Annual accounts • Governance Improvement Programme
Finance and Performance Committee	• Budgets and savings plans • Financial performance • Performance against national outcomes framework • Commissioning

Advisory Groups

In line with Standing Orders the health board is also required to have three advisory groups in place. These allow the Board to seek advice from and consult with staff and key stakeholders. They are the:

- Stakeholder Reference Group
- Local Partnership Forum
- Healthcare Professionals' Forum

Local Partnership Forum (LPF) The LPF's role is to provide a formal mechanism where the health board, as employer, and trade unions/professional bodies representing health board employees work together to improve health services for the citizens of Powys - achieved through a regular and timely process of consultation, negotiation and communication.

The Board's Local Partnership Forum is fully established and operating in accordance with Standing Orders. This Advisory Group has played a significant role in considering the Board's strategic vision, aims and objectives prior to Board approval.

At the time of writing, the Board does not have in place its Stakeholder Reference Group or Healthcare Professionals' Forum. The establishment of these Groups was articulated as a strategic priority within the Board's Annual Plan for 2015-16. Once established the:

The Stakeholder Reference Group's (SRGs) role will be to provide independent advice on any aspect of PTHB business, which may include:

- early engagement and involvement in the determination of PTHB's overall strategic direction;
- provision of advice on specific service proposals prior to formal consultation; as well as
- feedback on the impact of the health boards operations on the communities it serves.

The Healthcare Professionals' Forum's (HPFs) role will be to provide a balanced, multi disciplinary view of healthcare professional issues to advise the Board on local strategy and delivery. Its role will not include consideration of healthcare professional terms and conditions of service.

It is intended that the chairs of each of the above forums attend Board meetings to ensure that equality issues are central to the health board's agenda. The roles of these forums will become increasingly important as the Board takes forward its transformation programme and works towards closer integration with Powys County Council.

Joint Committees: Welsh Health Specialised Services Committee (WHSSC) & Emergency Ambulance Services Committee (EASC)

The Welsh Health Specialised Services Committee and the Emergency Ambulance Services Committee are joint committees of Welsh health, established under the Welsh Health Specialised Services Committee (Wales) Directions 2009 (2009/35) and 2014 (2014/9 (w.9)) (the WHSSC Directions) and the Emergency Ambulance Services Committee (Wales) Directions 2014 (2014/8 (W.8)) (the EASC Directions).

The function of the Welsh Health Specialised Services Joint Committee is to plan and secure specialised and tertiary services. The specialised and tertiary services are listed as an annex to the WHSSC Directions and are subject to variations to those functions agreed from time to time by the Joint Committee.

The function of the Emergency Ambulance Services Joint Committee is to plan and secure emergency ambulance services. Emergency ambulance services include responses to emergency calls via 999; urgent hospital admission request from general practitioners; high dependency and inter-hospital transfers; major incident response; and urgent patient triage by telephone.

The Joint Committees are hosted by the Cwm Taf University Health Board on behalf of the seven health boards in Wales. As Chief Executive Officer I represent the health board on the Joint Committees and reports prepared by the Chairs are taken to public meetings of the Board.

NHS Wales Shared Services Partnership Committee

A NHS Wales Shared Services Partnership Committee (NWSSPC) has been established under Velindre NHS Trust which is responsible for exercising shared services functions including the management and provision of Shared Services to the NHS in Wales.

The Velindre National Health Service Trust Shared Services Committee (Wales) Regulations 2012 provide that the committee be comprised of the chief officers of each Local Health Board and NHS Trusts in Wales (or their nominated representative), the Director of Shared Services together with a Chair who is to be appointed by the Committee in accordance with the SSPC Standing Orders.

A Memorandum of Co-operation in place between all Local Health Boards and NHS Trusts in Wales setting out the obligations of the NHS bodies to participate in the NWSSPC and to take collective responsibility for the delivery of those services.

The health board's Audit Committee considers internal audit reports in relation to the controls in place to deliver those services provided on its behalf, as well as taking assurances from the Head of Internal Audit's annual opinion in respect of the NHS Wales Shared Services Partnership.

Joint Partnership Board: Integrated governance arrangements

We continue to work with Powys County Council (PCC) to ensure that the services we provide are increasingly integrated. Both organisations have agreed to look at ways in which integration can be quickly but safely escalated. During the year ahead the health board's governance arrangements will be further strengthened to ensure that they continue to be fit for purpose and also support the integration work. The key driver for this integration work is the commitment of both organisations to ensuring that the health and care needs of the people of Powys are served in the most efficient and effective way.

Powys has been made a region in its own right under Part 9 of the Social Services Wellbeing (Wales) Act 2014. In light of this and combined with the requirements of the Well-being of Future Generations Act (Wales) 2015 and the collective drive towards increased integration between the health board and PCC, a review of the governance arrangements aligned to the joint agendas was taken forward during the later part of 2015-16.

Building on the outcomes of this review, in February 2016, PTHB and PCC established a Joint Partnership Board. This brings together nominated strategic leaders from PCC and the health board to ensure effective partnership working across organisations within the county for the benefit of the people of Powys.

The Joint Partnership Board is responsible for oversight of the integration agenda. Formal terms of reference are in place and a collaborative agreement between the health board and PCC has been signed.

Joint scrutiny arrangements are in the process of being developed and will be taken to the Board of Powys Teaching Health Board and the Cabinet of Powys County Council for ratification.

Quality Governance

The Board has collective responsibility for quality and during 2015-16 a number of steps were taken to ensure that quality is high on the Board's agenda. There is a clear quality governance structure with the Quality and Safety Committee holding executives to account and receiving reports on assurance and risks linked to patent experience, quality and safety.

In tandem with the publication of the 2015-16 Annual Report the health board will publish its Annual Quality Statement, which brings together a summary of how the organisation has been working over the past year to improve the quality of all the services it plans and provides. The report can be found here on the health board's website: *www.powysthb.wales.nhs.uk*

At each meeting of the Board a patient story is presented at the start. Paper based reports have their place, however, the use of first hand patient stories, that act of hearing and having an opportunity to connect with people using services, has enabled not just a more emotional connection with the impact of decisions made in the organisation but has also helped drive specific improvements in services.

Quality Indicators

The Quality and Safety Committee has overseen the development of quality indicators and a Quality and Safety Dashboard. In this respect the Older Persons Commissioner for Wales has strengthened the focus on monitoring outcomes for older people through 12 key areas that are stated to be important to older people. Having started to report these in 2015 -16

to the Board and the Quality & Safety Committee, we recognise the challenge in monitoring outcomes and showing whether we are achieving high standards of care consistently. There is a need to strengthen how we report outcomes and develop the narrative around them so that residents understand how well we are performing, that we are listening, taking the right action and learning from good and not so good experiences.

Complaints and Concerns

In 2015, we refreshed the Patient Experience Steering Group, focusing on listening and learning from patient experience and 'using the gift of complaints'[2] to improve the experience of care for Powys residents. This alongside the launch of the Patient Experience Strategy (February 2016) will set the direction for 2016-17.

The health board has been on a journey of improvement following receipt of Internal Audit Reports signalling 'limited assurance' and Welsh Risk Pool Audits, which highlighted areas for improvement. Our aim as set out in our Annual Quality Statement for 2014-15, is to reduce the number of concerns waiting more than 30 days for a response and to demonstrate, with evidence, learning that takes place as a result of concerns. We approved our new Complaints Policy in December 2015 and the Claims Policy in 2015 and these both make roles and responsibilities clear. We have also taken action to strengthen our serious incident processes and are currently working to improve compliance with investigation timescales.

The number of open concerns improved generally throughout the year, as did the compliance to the 30 day turnaround time.

A follow up review by Internal Audit of Putting Things Right saw improvement from Limited Assurance to Reasonable Assurance in March 2016 and Management of Welsh Risk Pool Claims received a 'reasonable assurance' rating.

The top three themes of complaints received by the health board over the last year are as follows:

- Access, Appointment, Admission, Transfer, Discharge
- Treatment and Intervention
- Attitude of Staff

Commissioning development and assurance

Quality and safety improvement is a golden thread underpinning our planning and commissioning processes. The health board is strengthening the links with providers of services to Powys residents. We recognise that we need to put arrangements in place with our providers to ensure that we gain assurance on the quality and patient safety of services they provide.

Our Commissioning Development Programme has been developed to confirm the future design of the commissioning model and ensure alignment with the revised organisational structure. It will oversee the implementation of a system of commissioning, securing and reviewing services to ensure our commissioned services as robust, assured and quality services.

Work has started on developing a suite of high level indicators to provide assurance on services commissioned on our behalf.

A new Commissioning Assurance Framework and an internal assurance group have been put in place aligned to new performance and escalation framework. This will strengthen

2 *A Review of Concerns (Complaints) Handling in NHS Wales: "Using the Gift of Complaints". A review by Keith Evans (2014)*

the capability and systems around commissioning for quality for both Welsh and English providers, care homes and primary care.

Assurances in relation to specialist services will be reported to our Board through reports from the Welsh Health Specialised Services Committee strategic quality framework and assurance on Emergency Ambulance Services through the Emergency Ambulance Services Committee. This will link to strengthening the capability and systems around commissioning for quality for both Welsh and English providers, care homes and primary care.

Health and Care Standards

Following the launch of the new Health and Care Standards in April 2015, the health board developed and put into action an implementation plan to support their roll out across the organisation. This set out expectations around the embedding of the new standards, recognising that during year one of implementation there was a need to engage staff and support them in taking forward the standards at a local level.

Regular review meetings were held throughout the year to review progress in relation to the embedding of the standards. This approach has been key to driving progress and improvement and sustaining the passion that has come with the launch of the new standards. This approach has proved successful as it has given staff the opportunity to discuss each standard, the outcomes of their self-assessments, to share good practice and to highlight any areas of concern.

Some of the key points identified during discussions around governance, leadership and accountability include the following:

- Lines of accountability could be improved, particularly in relation to the escalation of issues; and
- Although systems are in place for monitoring contracts and service level agreements, some improvements need to be made to provide the health board with assurance it is receiving high quality efficient services.

A review of Health and Care Standards implementation is currently being undertaken by Internal Audit and the findings will be reported to the Audit Committee upon receipt.

Patient Safety and Quality Walkrounds

Building on peer reviews of ward and department areas following the 'Trusted to Care'[3] reports, we have trialled the quality check toolkit on a number of community hospital sites. Positive feedback has demonstrated how we can use both qualitative and quantitative approaches in determining how patients are being cared for. Going forward this toolkit will form part of our suite of methods used to provide quality assurance.

The 15 Steps Challenge (NHS Institute) has been formally adopted as one of the Board's approaches to reviewing care provision enabling a focus on quality and safety from the perspective of patients, their families and carers. Six out of nine wards were visited during the year:

- Twymyn Ward, Machynlleth Hospital on 25 September 2015
- Maldwyn Ward, Welshpool Hospital on 1 October 2015
- Adelina Patti Ward, Ystradgynlais Hospital on 18 January 2016
- Claerwen Ward, Llandrindod Wells Hospital on 9 February 2016
- Graham Davies Ward, Llanidloes Hospital on 18 February 2016
- Llewellyn Ward, Bronllys Hospital on 22 February 2016

3 *Report of the external independent Review of the Princess of Wales Hospital and Neath Port Talbot Hospital at Abertawe Bro Morgannwg University Health Board (2014) and a follow up review undertaken in 2015. The Reviews were led by Professor June Andrews, Director of the Dementia Services Development Centre, University of Stirling and Mr Mark Butler, Director of The People Organisation.*

Visits to Brecon Hospital and Knighton Hospital were postponed due to unforeseen circumstances. These will be rescheduled for the near future. Similar Patient Experience Walkrounds will also be rolled out to Mental Health Wards. The following key themes have emerged from the visits:

- Signage is not clear – externally and internally.
- Storage space is inadequate resulting in items and equipment being stored inappropriately in bathrooms for example.
- Little evidence is available on how patients/carers could access welsh language information.
- Toilets being used as unisex at time of visit.
- Leaflets and information available on wards out of date.
- Some information governance concerns regarding the security of mail pigeon holes in one area.

Action plans have been developed by each and progress against the locally-developed action plans is being followed up and will be reported to the Quality and Safety Committee. Some areas are subject to a pan-Powys work programme, for example signage.

It is pleasing to note that the number of Walkrounds increased during the year.

Community Shadowing

This year, in addition to the inspections of ward areas, shadowing sessions in the community have been introduced. A number of Executive Directors and Independent Members have spent half a day each with a Community Nursing Team gaining valuable insight into what a day in the life of a community nurse looks like, observing the teams at work in key areas such as the virtual ward, leg clubs and clinical visits. Moving forward the shadowing sessions will be rolled out across other disciplines including Women's and Children's and Therapies services.

Health and Safety

The revised Health and Safety Strategy and Implementation Plan was approved by the Board in October 2015. It is aimed at ensuring we provide a safe and healthy environment for all employees, patients, visitors, contractors and other members of the public who have contact with the organisation. In determining whether we had the right model in place for managing health and safety across the organisation and in supporting our employees and managers to understand that everyone has a responsibility for health and safety, we commissioned an external review of health and safety arrangements which commenced in October 2015. We are taking actions to implement the findings and this will involve reviewing current workforce capacity and capability and provide training to ensure staff are supported with the right skills, knowledge and experience that meets organisational need. This is also an area where we are considering the potential of integrating services with PCC.

Annual Quality Statement

Each year we are required to publish an Annual Quality Statement. It provides an opportunity for the health board to let the people of Powys know in an open and transparent way how we are doing to ensure all it services are meeting local need and reaching high standards. Each year it brings together a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.

The Annual Quality Statement provides the opportunity for the Board to routinely:

- assess how well they are doing across all services, including community, primary care and those where other sectors are engaged in providing services, including the third sector;
- identify good practice to share and spread more widely;
- identify areas that need improvement;
- track progress, year on year; and
- account to the public and other stakeholders on the quality of its services and improvements made.

The Annual Quality Statement will be published in September 2016 alongside the Annual Report and Accounts.

Corporate governance structures and processes

As highlighted earlier in this paper to be effective governance structures must be clear, transparent and integrated. They must be designed to facilitate, support and drive prudent health and care, co-production and integration.

The improvements made to governance arrangements during 2014-15 were acknowledged by the Wales Audit Office (WAO) in its 2015 Structured Assessment of the health board. The WAO reported that:

- Planning arrangements had improved, with the IMTP setting a clear vision with scope to sharpen its content in the next iteration;
- A comprehensive Governance Improvement Programme and revised Executive portfolios provide a better position from which the health board is able to deliver its strategic objectives;
- The Board has made good progress in relation to the strengthening of its overall effectiveness although further work is required before it can demonstrate sustained good practice and innovation; and
- Board members demonstrate a clear commitment to openness, constructive challenge and quality improvement.

However, I recognise that there are further improvements to be made in order to ensure that governance arrangements continue to be fit for purpose and are embedded throughout the organisation. Therefore, the Board has started to take further steps to ensure that the health board's governance and related assurance arrangements are aligned to the following principles:

- Visible leadership and clear strategic direction.
- Clarity of purpose, accountabilities, roles and responsibilities (delegation and reservation).
- Effective internal and external relationships - the consideration and involvement of all stakeholders.
- Constructive challenge.
- Openness and transparency.
- Sound arrangements for managing risks and ensuring compliance.
- Sound knowledge of the health board and the communities it serves.
- Competent decision making.
- Organisational effectiveness.

The Board has taken clear steps to:

- Set the culture and articulated the key steps that are needed to deliver its vision. It will ensure that quality and safety is consistently delivered by embedding prudent approaches to health and care, co-production and integration; the golden threads that will run through all that the health board does.

- Increase the further effectiveness of the Board and the committees of the Board (the committees) and put in place an integrated and holistic development programme for Board members (independent members and executive directors).
- Further improve governance structures and processes.
- Embed sound risk management and assurance arrangements.
- Ensure that governance arrangements take account of all statutory and legislative requirements.

Early in 2016-17, following review, we will confirm the organisational governance model to ensure clarity over delegated levels of authority and accountability. This will start with a review of the health board's Standing Orders, Standing Financial Instructions, Scheme of Delegation and the portfolios of executive directors.

In addition, we will continue to work with PCC to ensure that the services we provide are increasingly integrated. Both organisations have agreed to look at ways in which integration can be quickly but safely escalated. During the year ahead our governance arrangements will be strengthened to ensure that they continue to be fit for purpose and also support the integration work. The key driver for this integration work is the commitment of both organisations to ensuring that the health and care needs of the people of Powys are served in the most efficient and effective way.

Setting the culture and articulating key steps

Driving tangible and sustainable improvement in the quality and safety of the services provided and commissioned by the health board is a key priority. However, to do this in a meaningful way that ensures patients and the population of Powys are at the centre of any plans and staff are empowered, requires clear strategic direction, strong and consistent leadership, the right culture and a meaningful plan that is owned by all.

In 2015-16 a number of steps were taken to ensure that the culture of the health board supports the delivery of the Board's vision, and the key steps/milestones are articulated. Such steps included the:

- Establishment of a clear annual planning model and cycle, which is still evolving. These arrangements will ensure the delivery of our IMTP in line with agreed milestones and timescales. Further they help the Board to:
  - Implement a clinically led planning environment for service planning, annual planning and medium term (three year horizon) planning; and
  - Meet requirements of the NHS Wales Planning Framework to integrate our service, workforce and financial planning into a continuous cycle.
- The introduction of the 'Chat to Change' programme, which is designed to ensure that we develop and maintain the values and behaviours required to deliver excellent care;
- Development of the values and behaviours that describe the "way we do things in Powys". The values and associated behaviours were developed at a series of Chat to Change workshops held in late 2014;
- Strengthening of the health board's approach to the development of this Integrated Medium Term Plan, by improving engagement with staff and key stakeholders; and
- Implementation of a performance management framework

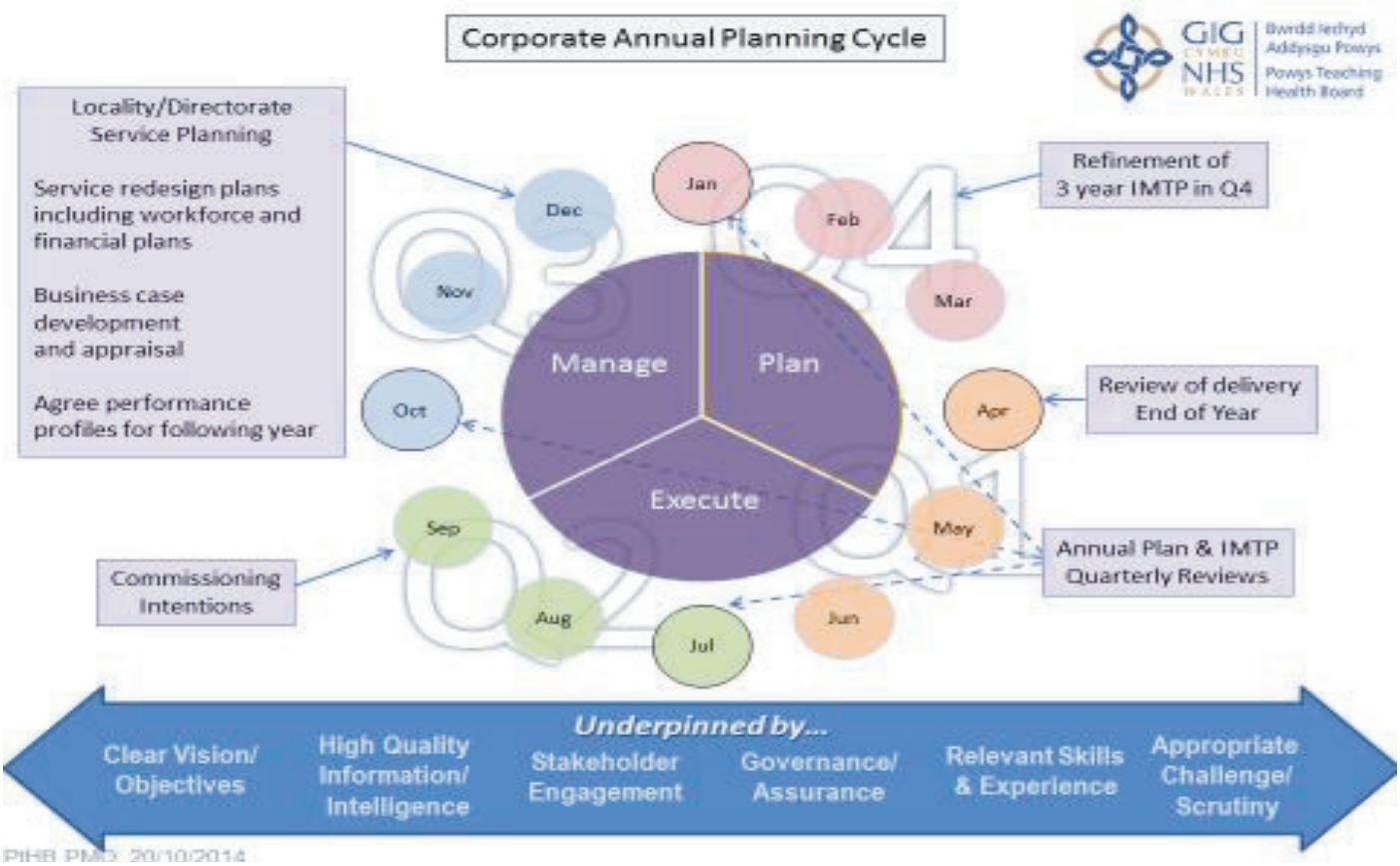
Planning and the Integrated Medium Term Plan

Our planning approach has been designed as a three-fold process. Developing Primary Care Clusters/Locality Plans 'bottom up' and in parallel developing plans based on cross cutting themes and other organisation wide plans. Working with our partners, the One Powys Plan has driven a number of the strategic priorities being taken forward by the health board over the next three years. The building blocks of our integrated planning are closer integration between service, quality, performance, IT, estate, workforce and financial plans. Our

intention is to further strengthen our planning and delivery approach together with PCC as part of our journey towards integration.

Key principles of the process are to ensure:

- There is a clinically led planning environment with multi professional input;
- Patients are at the centre of service design and delivery;
- There is whole system planning, ensuring alignment with neighbouring providers plans;
- There is a transformation of commissioning and provider functions;
- Promotion of integration at a strategic and service level;
- There are internal relationships including staff side/trade unions;
- There are external relationships with key stakeholders;
- There are Community Health Council planning links.



Our Integrated Medium Term Plan (IMTP) for 2015-18 was approved by Welsh Ministers. The IMTP sets out the health board's strategic objectives and priorities and key milestones for their delivery.

The development of the IMTP was an iterative process underpinned by formal and informal engagement processes and feedback. In the course of the year, a series of public engagement events took place to shape the health board's ongoing priorities and plans. Further, the joint priorities contained within the One Powys Plan and health board's plan were approved by the Powys Local Service Board.

Many of the objectives set out in the 2015-18 IMTP have been met and details of what we did and didn't deliver will be set out in the Annual Report to be published in September. We prepared a refreshed IMTP for 2016 -19 and are awaiting confirmation of ministerial approval.

The engagement process

The health board's approach to stakeholder engagement has matured during 2015 with the approval of the Board's Stakeholder Engagement Strategy. This ensures a multi-disciplinary clinically led approach to developing the Integrated Medium Term Plan; with an appropriate balance between Powys-wide and locality/directorate groups; empowerment of staff and local decision making.

The following table provides a summary of the health board's key stakeholder groups:

Engagement is embedded in Powys at a local level, however the health board recognises that it needs to strengthen its overall corporate arrangements for continuous engagement and this will be undertaken in 2016-17 in conjunction with partners in the Local Service Board. There is reference to considerable engagement throughout our IMTP.

Integrated performance management

The health board approved its Performance Management Framework for 2015-16, which set out the overarching principles and approach to developing a high performing organisation.

The Framework has been developed to ensure that the Board successfully delivers national standards for quality, performance, finance and patient experience as laid down in the NHS Wales Outcomes Framework. The Performance Management Framework also sought to encompass achievement of broader strategic objectives contained within the Board's Annual Plan, and other key enabling strategies. It was set within the context of the overall Planning Framework to ensure a clear line between national requirements, contractual obligations and the strategic business priorities of the health board.

Capacity to handle risk

Overall responsibility for making sure that risks are properly managed rests with the Board. Reporting mechanisms are in place to ensure that risk issues are reported through the health board's management structures in accordance with the Risk Management Strategy and Policy. Management and ownership of risk is delegated to the appropriate level from Director down through the health board's structures.

Through discussion and the receipt of reports the Board has identified, and managed a range of risks during 2015-16, notably the risks in relation to Wye Valley NHS Trust in light of the imposition of a section 29A[4] via the Care Quality Commission; and capital and estates issues.

The Board and its Committees identify and monitor risks within the organisation. Specifically, the Executive Team meetings present an opportunity for the executives to consider, evaluate and address risk and actively engage with and report to the Board and its committees on the organisation's risk profile.

As a result of reviewing the strategic objectives, critical success factors and risk management structure, the Board developed and agreed its risk appetite statement in February 2016 and the principles and approach that will underpin the development of the health board's Assurance Framework. Robust risk management is an integral to good management and the aim is to ensure it is integral to the health board's culture. It is an increasingly important element of the health board's planning, budget setting and performance processes. The risk management process is underpinned by a number of policies which relate to risk assessment including incident reporting, information governance, training, health and safety, violence and aggression, complaints, infection control, whistle blowing, human resources, consent, manual handling and security.

Risk Management

Embedding effective risk management remains a key priority for the Board as it is integral to enabling the delivery of our objectives, both strategic and operational, and most importantly to the delivery of safe, high quality services.

The health board requires all clinical and non-clinical incidents, including near misses, to be formally reported. Members of staff involved in, or witnessing such an incident, are responsible for ensuring that the incident is reported.

When an incident occurs and there is a remaining risk, all practical and reasonable steps are taken to prevent re-occurrence. The line manager is responsible for the provision of primary support for staff involved in the incident and this is made available to them immediately.

Any incidents which are considered serious are escalated as appropriate and a decision is taken as to whether the incident should be treated as a Serious Incident (SI) and reported to the Welsh Government. All SIs must be investigated using the Root Cause Analysis (RCA) methodology.

4 *Under provisions set out in section 29A of the Health and Social Care Act 2008, the Care Quality Commissions can issue Warning Notices to NHS Trusts and Foundation Trusts where it appears to us that significant improvement is required.*

An internal audit of our risk processes was undertaken towards the end of the 2015-16 financial year and this resulted in a 'limited' assurance report. Over the coming months steps will be taken to strengthen risk management across the organisation; this work will include commissioned and contracted services. We will embed sound risk management and assurance arrangements by:

- Developing and embedding the health board's assurance framework.
- Implementing a strengthened risk strategy and policy with easy to use processes and documentation.
- Identifying and regularly reviewing the strategic risks linked to the strategic objectives and priorities set out in this IMTP.
- Clarifying the role of the committees of the Board in relation to the 'assurance framework' and risk management.

Board and Committee work plans will also be agreed with a view to ensuring that they receive adequate assurance in relation to how risk is being managed throughout the year. Risks are reported locally at divisional level through the divisional management structure. The use of DATIX, an electronic reporting system, enables the timely reporting and management of incident reporting.

Going forward the Board will be involved in the continual development of the Assurance Framework, and this will be formally reviewed on a quarterly basis during 2016-17.

Risk Identification and Evaluation

Risks are identified via a variety of mechanisms, which are briefly described below. All areas within the health board report incidents and near misses in line with the health board's Incident Reporting Policy.

Risk Assessments, including Health and Safety and Infection Control Audits are undertaken throughout the health board. Identified risks at all levels are evaluated using a common methodology based on a 5 x 5 risk scoring matrix as shown below:

Risks are categorised into 4 levels as follows:

- **Low** – with a score between 1 and 3
- **Moderate** – with a score between 4 and 6
- **High** – with a score between 8 and 12
- **Extreme** – with a score between 15 and 25

Other methods of identifying risks include:

- Complaints and concerns
- Health and Safety visits
- Clinical audit
- Quality Walkrounds
- Medico-legal claims and litigation
- External benchmarking
- Inquest findings and recommendations from HM Coroners

Identified risks are added to the Risk Registers and reviewed to ensure that action plans are being carried out and that risks are being added or deleted as appropriate. High level risks are reported to the Executive Team and the Board.

Health Board's Risk Profile

The key risks to the achievement of our strategic objectives should be captured in the Board's 'Corporate Risk Register'. This was last received by the Board when it met in May 2016 and can be accessed at *www.powysthb.wales.nhs.uk/board-agenda-25-may-2016* However, it is

recognised that further work is needed to better align the Corporate Risk Register with the revised strategic objectives agreed as part of the IMTP for 2016-19.

Risk Registers are used to identify and manage significant risks within the health board. In addition internal and external reports/reviews are used to inform the framework and register in terms of new risks or amendments to existing risks.

Achieving financial balance was a moderate risk for the health board through the year until the fourth quarter when the risk decreased. Subject to audit, the draft financial position shows financial balance.

At the end of March 2016 there were a number of continuing risks of concern to the health board which are highlighted below:

- Estates compliance issues
- Commissioning issues in relation to Wye Valley NHS Trust
- Financial control risks, particularly in relation to capital and estates.

There are also number of high level risks associated with the strategic change programmes and these include:

- Engagement/consultation requirements
- Demand and activity assumptions
- Commissioning

The Board has a series of controls in place to manage and mitigate these risks.

The Audit Committee monitors and oversees both internal control issues and the process for risk management and internal and external auditors attend Audit Committee meetings. The Board and its Committees receive reports that relate to the identification and management of risks.

Information Governance Risks

Risks relating to information are managed and controlled in accordance with the Trust's Information Governance Policy through the Information Governance Committee, chaired by an independent member.

The Medical Director, as Caldicott Guardian, is responsible for the protection of patient information. All information governance issues are escalated through the Information Governance Committee.

The Senior Infomration Risk Owner (SIRO) provides an essential role in ensuring that identified information security risks are addressed and incidents properly managed. During the first part of the year the SIRO was the Director of Therapies and Health Sciences, and the role passed to the Director of Finance for the second part of the year.

During the year the Chair of the Information Governance Committee escalated concerns to the Board in relation to the poor take-up of information governance training and the lack of progress made in relation to the addressing of on-going and long term risk and control issues. One data breach was reported to the Information Commissioner's Office (ICO). We are waiting the outcome of the ICO's judgement.

Information in relation to the outcomes of information governance audits is provided as part of the Head of Internal Audits opinion.

Financial Risks

The organisation's financial control framework is set out within the Standing Financial Instructions (SFIs) of the organisation. SFI's set out the regulation of financial proceedings and business and are designed to achieve probity, accuracy, economy, efficiency, effectiveness and sustainability in the conduct of business. They translate statutory and Assembly Government financial requirements for the NHS in Wales into day to day operating practice. Together with the adoption of Standing Orders (SOs), a scheme of decisions reserved to the Board and a scheme of delegations to officers and others, they provide the regulatory framework for the business conduct of the health board.

In addition to Standing Orders and Standing Financial Instructions there are a series of Financial Control Procedures that cover the core financial systems and processes in the health board including a budgetary control policy that sets out the detailed arrangements for the delegation and effective management of budgetary performance within the organisation.

There are many other control systems within the health board that contribute to good financial control. The Audit Committee provides assurance to the board that the organisation's systems of internal control are effective. In seeking assurance as to their effectiveness the Audit Committee approve a programme of internal audit of systems and processes to seek assurance and to drive improvement. Internal Audit is provided by NWSSP Audit and Assurance. Further assurance is also gained from external audit work provided by Wales Audit Office in relation to their role in providing an opinion on the organisation's statutory accounts and their work on structured assessment and performance reviews.

Delivery of the financial plan for the year is monitored through the Finance Director's monthly meetings with lead directors. In line with the Budgetary Control Procedure meetings also take place between line managers and delegated budget holders on a regular basis as part of the effective management of budgets. These sessions provide both challenge and support to budget holders in the delivery of their plan and also follow the escalation process as set out in the budgetary control procedure where required. During early 2015/6 (2016/17?) Internal Audit will review budgetary management and control arrangements, as part of the assurance process. Financial performance is routinely reported to the Board and Finance & Performance Committee to ensure that the Board/Committee are able to gain assurance and provide an appropriate level of challenge in the management of financial risks and delivery of financial targets.

The Executive Team receives a monthly financial report at its Delivery and Performance meeting. These reports both set out key financial performance and risk issues and progress on achieving a resolution to outstanding issues.

During the year issues that arose in capital and estates highlighted concerns in relation to the culture and financial controls in place in various departments and levels of the organisation. As a result, these have been reviewed and actions have already been put in place to start addressing these concerns.

Strategic Risks

The Assurance Framework maps the strategic level risks that may impact upon the achievement of the health board's strategic objectives. These are linked to the Annual Plan. Once complete this process will ensure that the Board is informed about the most serious risks faced by the health board.

During 2016-17, critical success factors, strategic risks, terms of measurement and sources of assurance will be mapped. This work will continue to develop during 2016 with the inclusion of quarterly review of strategic objectives at Board meetings on a cyclical basis.

Additional Disclosures

Pensions Scheme

I can confirm that as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employers' contributions and payments into the Scheme are in accordance with Scheme rules and that the member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Welsh Language, Equality and Diversity

Measures are in place to ensure that the organisation complies with the requirements of the Welsh Language, equality, diversity and human rights legislation are complied with. However, further work is needed to ensure that such legislation is properly embedded. Assurance is provided to the health board through the Workforce and Organisational Development Committee.

The health board is required to implement its Welsh Language Scheme and the Welsh Language Framework, "More than Just Words", and implementation is monitored by Welsh Government and the Welsh Language Commissioner. The Workforce and Organisational Development committee of the Board has oversight of Welsh Language and provides assurance to the Board.

Activity is well underway to ensure that:

- We understand the linguistic profile of the workforce by recording language competency onto ESR. Together with the analysis of the population, and service users this will inform the language skills strategy. The strategy will address identified workforce shortfalls through a combination of training, recruitment and partnership arrangements with other organisations to ensure as complete an implementation of the Active Offer as possible. One service, Speech and Language Therapy, has already identified a shortfall and are seeking support from a neighbouring health board to address this in the short term.
- Welsh language needs are picked up as part of the needs assessment process, Welsh Language is included as part of the Equality Impact Assessment requirement embedded into needs assessment processes. Examples of this are the South Wales Programme Equality Impact Assessment

Civil Contingencies

The Civil Contingencies Act 2004 (CCA) outlines a single framework for civil protection in the United Kingdom. Part 1 of the Act establishes a clear set of roles and responsibilities for those involved in emergency preparedness and response at a local level. During 2015-16 we:

- Established a new Civil Contingencies Steering Group to ensure that there are effective operational governance arrangements in place to ensure delivery of the duties placed on the HB as part of the CCA.
- Established regular progress reporting arrangements for Executive Directors.
- Developed a business continuity toolkit, which provides a step by step guide to assist service areas in the development of service level business continuity plans. This has been implemented across the Primary and Community Care Directorate.
- Achieved compliance with statutory exercising duties, including the undertaking of a live exercise.
- Introduced a new Civil Contingencies planning page on the PTHB staff intranet; this has helped to improve communications across the organisation and provides an area to store and share plans and other resources relating to Civil Contingencies.

Carbon Reduction

As a way of addressing our impact on the environment and the carbon cycle we are mitigating the effects of climate change by:

- assessing the risks;
- planning for the future;
- implementing fully worked up strategies to cope with extreme events;
- developing plans for reducing water and energy demands, reducing waste and increasing recycling.

The Civil Contingencies Act 2004 (CCA) establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at the local level. It requires 'Category 1 Responders'; organisations including the emergency services, NHS bodies and local authorities, to prepare for adverse events and incidents. To achieve this, PTHB is a member of the Dyfed Powys Local Resilience Forum (LRF). The CCA and the Regulations bring responders together through the forum, to have a collective responsibility to plan, prepare and communicate in a multi-agency environment.

Dyfed Powys LRF has recently completed its assessment of the risks outline in the National Risk Assessment Guidance at a local level. Each individual risk is regularly assessed and evaluated in terms of preparedness. Whilst carbon reduction is not specifically listed within the National Risk Assessment Guidance, the impact i.e. inclement weather is considered by the Dyfed Powys Severe Weather and Business Continuity Groups. Multi-agency Response Plans, training and exercising activities are developed and delivered through this forum.

The Climate Change Act 2008 puts in place the legislation needed to plan and manage Wales' natural resources in a more proactive, sustainable and joined-up way and includes a commitment by the Welsh Government to reduce carbon emissions by at least 80% lower than the baseline by 2050.

The Wellbeing of Future Generations (Wales) Act 2015 sets out seven top level goals which all public bodies will have to set targets and report against, this is a new act as such the health board is yet to establish targets. A number of these goals relate to carbon emissions and there management and reduction.

As a way addressing our carbon emissions and compliance with relevant environmental acts the health board has put in place and recently reviewed an Environment Policy which publicly commits it to reducing carbon emissions by 5% by 2019.

To help managing and reduce our energy demands we have committed to achieving ISO14001 environmental management system. As a result the health board now has in place an Environment and Sustainability Manager who will ensure compliance with environmental legislation whilst also developing strategies to see the 5% reduction by 2019 come to fruition.

It is recognised that the health board has been slow to act in this area and is behind other health boards though is committed to redressing the balance swiftly in the coming years. As part of this 'Initial Environmental Reviews' will be carried out during 2016.

Key documents issued by Welsh Government

The Welsh Government has issued Non-Statutory Instruments and reintroduced Welsh Health Circulars in 2014/15. Details of these and a record of any ministerial directions given is available at: *http://wales.gov.uk/legislation/subordinate/nonsi/nhswales/2013*

During 2016-17 we will strengthen our arrangements for administering these important documents and checking compliance.

Post Payment Verification

In accordance with the Welsh Government directions the Post Payment Verification (PPV) Team, (a role undertaken for the health board by the NHS Shared Services Partnership), in respect of General Medical Services Enhanced Services, General Ophthalmic Services and Community Pharmacy Services has carried out its work under the terms of the service level agreement (SLA) and in accordance with NHS Wales agreed protocols.

Review of Economy, Efficiency and Effectiveness on the Use of Resources

The National Health Service Finance (Wales) Act 2014 amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. The Act places two financial duties on Local Health Boards:

- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of three financial years; and
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The first assessment of performance against the three year statutory duty under section 175 (1) will take place at the end of 2016-17, being the first three year period of assessment

Subject to audit, the health board achieved the two new financial duties in 2015-16.

Review of Effectiveness of System of Internal Control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the work of the internal auditors, and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

The process applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The maintenance of an overview of the overall position with regard to internal control by the Board through its routine reporting processes and its work on corporate risks;
- The embedding of the Assurance Framework and the receipt of internal and external reports on the internal control processes by the Audit Committee; and
- Personal input into the controls and risk management processes by all executive directors, senior managers and individual clinicians.

I have also drawn on the work of the Board and its committees and the performance information available to me.

Internal Audit

Internal audit provide me as Accountable Officer and the Board through the Audit Committee with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focused on significant risk areas and local improvement priorities.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

The Head of Internal Audit has concluded:

"The purpose of my annual Head of Internal Audit opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the system of internal control. The approved internal audit plan is biased towards risk and therefore the Board will need to integrate these results with other sources of assurance when making a rounded assessment of control for the purposes of the Annual Governance Statement.

To provide improved definition and interpretation, the overall opinion has been formed by summarising audit outcomes across eight key assurance domains. The overall opinion is then based upon these grouped findings.

In my opinion the Board can take limited assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.

Our internal audit work is designed to evaluate the effectiveness of governance, risk management and control processes across the Health Board as a whole. This is a common feature of every assurance review we undertake as this tests how well the systems and processes designed to keep the Health Board on track are working.

I have reviewed the individual assurance ratings for each assignment. This has led me to conclude an opinion of limited assurance for the primary assurance domain of Corporate governance, risk

and regulatory compliance. The domains of Information governance and security and of Workforce management also derived limited assurance, whilst the Capital and estates management domain has been assessed as providing no assurance.

The domains of Financial governance and management; Clinical governance, quality and safety; Strategic planning, performance management and reporting; and Operational service and functional management are rated as reasonable assurance.

The audit coverage in the plan agreed with management was deliberately focused on key strategic and operational risk areas; the outcome of these audit reviews may therefore highlight control weaknesses that impact on the overall assurance opinion.

In overall terms and considering the outcome of reviews undertaken, I can provide positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

- *Financial governance and management;*
- *Strategic planning, performance management and reporting;*
- *Clinical governance quality and safety: and*
- *Operational service and functional management*

However, the significance of the matters raised in those areas where there are clearly improvements to be made in governance, risk management and control impacts upon our overall audit assessment in the following assurance domains:

- *Corporate governance, risk management and regulatory compliance;*
- *Information governance and security;*
- *Workforce management; and*
- *Capital & estates management.*

I have agreed with PTHB remedial action to improve control in these areas."

Structured Assessment Conclusions

As referred to earlier in this report the improvements made to governance arrangements during 2014-15 were acknowledged by the Wales Audit Office (WAO) in its 2015 Structured Assessment of the health board. The conclusion section of the Structured Assessment States:

"During 2015, the health board has undertaken a broad range of activities to address shortcomings with its governance arrangements. Our overall conclusion from 2015 structured assessment work is that arrangements to support good governance and the efficient, effective and economical use of resources have strengthened considerably. The health board is in a stronger position to achieve financial balance and drive forward transformation, providing resilience and pace of change can be sustained.

The reasons for reaching this conclusion are set out below.

Financial planning and management

Following the injection of funding, the health board is likely to achieve financial balance in 2015-16 with good in-year management and scrutiny of performance. The health board needs to strengthen strategic financial planning to address the challenging financial environment.

Specifically, we found:

- *in 2014-15, the health board operated within its annual revenue and capital resource allocation; and*

- *at the end of September 2015, the health board was forecasting a balanced year-end outturn position against its annual revenue resource allocation although the financial environment remains challenging.*

Arrangements for governing the business

- *The Board has set a clear vision, strengthened Executive capacity, and made improvements to governance arrangements. The challenge going forward is to further refine, sustain and embed these arrangements throughout the organisation.*

In reaching this conclusion, we found:

- *planning arrangements have improved, as evidenced by Ministerial approval of the IMTP. The IMTP sets a clear vision with scope to sharpen its content in the next iteration;*
- *a comprehensive Governance Improvement Programme and revised Executive portfolios better position the health board to deliver their strategic objectives. The challenge is to ensure there is sufficient resilience and capacity within the Executive team to maintain a sustainable pace of change, strengthen operational management capacity, and to ensure that it has the correct balance between locality specific and Powys-wide delivery arrangements;*
- *the Board has made good progress strengthening its overall effectiveness although further work is required before it can demonstrate sustained good practice and innovation. Board members demonstrate a clear commitment to openness, constructive challenge and quality improvement;*
- *the Board committee structure supports good governance and there is evidence of continual improvements to arrangements. However, some changes are still recent and therefore not embedded, and plans to address remaining gaps in quality governance need to be fully implemented;*
- *overall the Board receives adequate information to support effective scrutiny and decision making although further refinements to reporting are required;*
- *internal controls are now generally effective in meeting assurance requirements but some aspects, including risk management and the use of clinical audit, need further improvement; and*
- *the health board has strengthened its information governance arrangements with an updated strategy and implementation plan and its Information Governance Committee is functioning more effectively although more pace is required to address persistent high risk issues.*

Enablers of effective use of resources

- *The health board has set an ambitious change agenda and is working to strengthen its arrangements for communications, engagement and partnership working to support transformation but significant risks remain with the estate.*

In reaching this conclusion, we found:

- *the health board has articulated key elements of its transformation programme and needs to ensure that can drive the necessary changes to service delivery;*
- *the health board has made considerable progress to address the challenges with its estate and estates function, although extensive further work is required to address the poor condition of the estate; and*
- *partnership working with the local authority is progressing apace, communications with the public is becoming more transparent, but much more remains to be done to gather and learn from patient experience. "*

Quality of Data

During 2015-16 Internal Audit undertook three reviews related to information governance and security. One review, titled Information Governance, was given 'no' assurance, and two reviews, Information Commissioner Offices follow up, and Data Quality, were rated as 'Limited' assurance. These reports have been presented to the Audit Committee and the Information Governance Committee has been delegated responsibility by the Board for ensuring appropriate and timely action is taken.

Conclusion

I am aware, that there have been a number of areas that have received assessments of 'limited' assurance from Internal Audit during the last year; these are outlined in the Head of Internal Audit's Statement above. In each instance, management action has been taken forward to respond in these areas and progress monitored by the health board's committees, particularly the Audit Committee and the Board.

In addition, as highlighted earlier in this report a number of matters have arisen that have given cause for concern in relation to capital and estates, financial controls, procurement and certain corporate controls. During the year I took action to address these and I will continue to monitor the situation over the months ahead. The Board through its own self-assessment of effectiveness and the Health and Care Standards identified further areas for improvement, which have also been outlined in this Statement.

I have therefore concluded that while in many areas the Board has a generally sound system of internal control that supports the achievement of its policies, aims and objectives further strengthening and embedding of sound control, risk and assurance arrangements is needed. Together with the Board I will continue to drive improvements and will seek to provide assurance for our citizens and stakeholders that the services we provide are efficient, effective and appropriate and designed to meet patient needs and expectations.

Carol Shillabeer

Chief Executive

Audit certificates

The Certificate of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Powys Teaching Local Health Board for the year ended 31 March 2016 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 62 and 63, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Powys Teaching Local Health Board circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the Foreword and Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Powys Teaching Local Health Board as at 31 March 2016 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- The remuneration report has not been presented with these financial statements so I cannot provide an opinion on its proper preparation.
- the information contained in the Foreword and Annual Governance Statement is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
28 June 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

On 1st April 2014 the NHS Finance (Wales) Act 2014 amended the NHS (Wales) Act 2006 and required LHBs to meet two new statutory financial duties.

I have decided to issue a narrative report alongside my audit certificate to explain the new duties, Powys Teaching Local Health Board's performance against them, and the implications for 2016-17.

Financial duties

The **first financial duty** gives additional resource flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one-year period. The first three-year period under this duty is 2014-15 to 2016-17, so LHBs' performance against this duty will not be measured until 2016-17.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the spending limit set for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. For the 2015-16 financial year, any excess spend against annual financial allocations (set by the Welsh Government for financial management purposes) is not irregular expenditure and so does not affect my regularity opinion.

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services and delivery of the first financial duty. An LHB will be deemed to have met this duty for 2015-16 if it submitted a 2015-16 to 2017-18 plan approved by its Board to the Welsh Ministers who had then approved it by the date that the Accountable Officer signed the 2015-16 Financial Statements.

LHB performance against duties

First Financial Duty

As set out above, the LHB will not be assessed against the first financial duty until 2016-17. Nevertheless it is expected to manage its finances to ensure it does not over spend against its annual revenue and capital allocations. This is because the LHB's annual performance impacts on the ability of the Health and Social Services Group to meet its own financial targets.

As shown in Note 2.1 and 2.2 to the Financial Statements, in 2015-16 the LHB:

- met its annual revenue resource allocation; and
- met its annual capital resource allocation.

Second Financial Duty

As shown in Note 2.3 to the Financial Statements, the LHB met its second financial duty to have an approved three-year integrated medium term plan in place for the period 2015-16 to 2017-18.

The integrated medium term plan was approved by the Minister on 2 June 2015.

Look ahead to 2016-17

The NHS Planning Framework 2016/17 set Welsh Government's expectation that the LHB should obtain Ministerial approval by 30th June 2016 for its three-year plan 2016-17 to 2018-19. While previously the planning process and timetable envisaged that plans would be reviewed and approved during the first quarter this was not specified, with the potential flexibility that plans could have been approved up to a point prior to the Accountable Officer signing of the financial statements for the first year of the plan.

The LHB's proposed integrated medium term plan running from 2016-17 to 2018-19 has been presented to the Welsh Government for Ministerial approval. The integrated medium term plan

presents a balanced financial position for the period 2016-17 to 2018-19 but includes cumulative level of savings of £10.149 million over the three years (£4.615 million savings required in 2016-17).

At the end of April 2016, the Health Board is forecasting a balanced year end position for 2016-17.

Later this year I intend to publish a value for money study on the implementation by Welsh Government and NHS Wales of the NHS Finances (Wales) Act 2014.

Huw Vaughan Thomas

Auditor General for Wales

28 June 2016